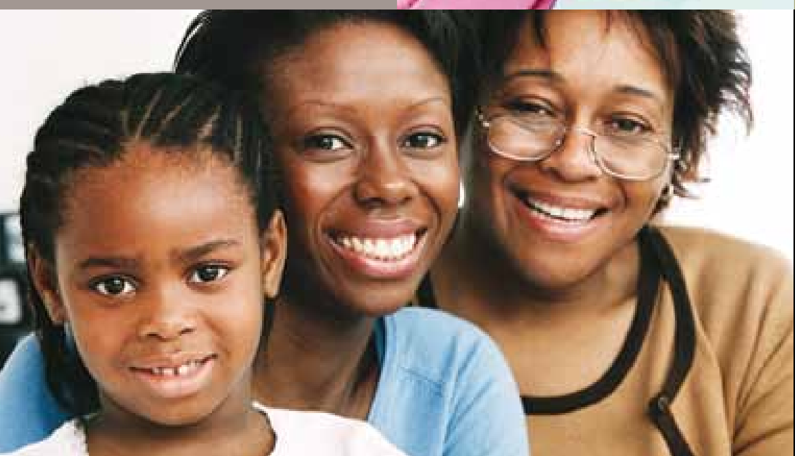
HomeChoice
Holdings Limited

annual report 09



HomeChoice

Operating profit grew by **121%**

Operating margin up from **11,5%** to **21,7%**

EPS grew by **127%**

NAV per share grew by **18%**

Cash generated by operations up **R56m** to **R69m**

contents

Revenue grew by 17%

The group is Southern Africa's **leading direct marketer** in consumer finance, offering **retail** and **financial services** to the rapidly expanding middle income market.

Shareholder distribution up from 11c to 20c per share

corporate profile

HomeChoice

Firmly established as the leading catalogue retailer in Southern Africa, HomeChoice has developed an exclusive range of household goods which it sells to the urban market. With a proven track record of 25 years, HomeChoice is the first choice in luxury homewares for thousands of satisfied customers.

Our ongoing commitment to our customers can be summed up in four simple words – quality, value, service and style.

We offer our customers a multitude of ordering and payment options, including an extensive door-to-door delivery service in the majority of urban areas.

HomeChoice currently has five merchandise divisions

1. **Bedding** Bed coverings and coordinating curtains and accessories
2. **Household textiles** Textiles for other rooms in the home
3. **Housewares** Crockery, cookware and luggage
4. **Appliances** Small appliances for the kitchen
5. **Electronics** Home-focussed compact electronics

FinChoice, the financial services company of the group, markets personal loans and insurance to HomeChoice customers of good credit standing. Our loans products offer terms ranging from 6 to 24 months, with the ability for customers to access additional credit on a recurring basis.

FinChoice is an authorised financial services provider (FSB licence 25610) and registered credit provider (NCR licence NCRCP 434). We commenced trading in 2007 and have enjoyed strong growth ever since. We have a customer-centric business philosophy, where we strive to provide products that consistently offer our customers value, convenience and accessibility.

Our operations are centralised in Cape Town where we leverage best-of-breed technology to provide low-cost, efficient access to our products. We use direct marketing, our call centre, mobile and the internet to originate and manage our portfolio.

group five-year review

	2009 R000	2008* R000	2007* R000	2006* R000	2005* R000
Non-current assets	**184 710**	133 824	56 494	77 374	70 888
Deferred tax	**4 963**	2 786	4 432	2 487	450
Current assets	**520 798**	423 767	405 869	317 250	247 555
Total assets	**710 471**	560 377	466 795	397 111	318 893
Ordinary shareholders' interest	**527 025**	437 334	386 459	312 755	253 800
Non-controlling interest	**(4 498)**	–	–	–	–
Non-current liabilities	**88 683**	162	804	2 005	2 746
Deferred tax	**25 084**	15 277	20 202	25 269	24 210
Current liabilities	**74 177**	107 604	59 330	57 082	38 137
Total equity and liabilities	**710 471**	560 377	466 795	397 111	318 893
Revenue	**651 152**	556 981	436 137	386 917	304 899
Operating profit	**141 497**	64 044	111 344	101 244	87 425
Net interest (paid)/received	**(4 547)**	2 343	8 157	3 525	2 245
Equity loss on associate	**(523)**	(3 150)	(2 471)	–	–
Profit before taxation	**136 427**	63 238	117 030	104 769	89 670
Taxation	**(36 513)**	(20 210)	(27 801)	(27 563)	(24 977)
Profit for the period	**99 914**	43 028	89 229	77 206	64 693
Cash receipts from customers	**707 467**	561 711	421 073	370 533	291 310
Cash paid to suppliers and employees and loans disbursed to customers	**(638 134)**	(528 755)	(356 870)	(290 909)	(235 668)
Cash generated by operations	**69 333**	32 956	64 203	79 624	55 642
Net interest (paid)/received	**(4 547)**	2 965	8 278	3 383	2 171
Net dividends (paid)/received	**(8 415)**	4 202	(5 166)	3 575	(1 986)
Taxation paid	**(31 930)**	(32 899)	(47 201)	(11 856)	(582)
Net cash inflow	**24 441**	7 224	20 114	74 726	55 245
Net cash (outflow)/inflow from investing activities	**(17 518)**	(77 249)	(35 228)	(14 870)	15 583
Net cash inflow/(outflow) from financing activities	**55 343**	(10 557)	(5 438)	(15 073)	(58 302)
Net increase/(decrease) in cash balances	**62 266**	(80 582)	(20 552)	44 783	12 526
Cash balance at start of year	**(6 375)**	74 207	94 759	49 976	37 450
Cash balance at end of year	**55 891**	(6 375)	74 207	94 759	49 976

** Comparative figures have been reclassified, refer to note 26.*

	2009 R000	2008* R000	2007* R000	2006* R000	2005* R000
financial ratios					
Interest paid cover (times)	**15,7**	17,8	193,0	172,8	211,7
Current ratio (:1)	**7,0**	3,9	6,8	5,6	6,5
Acid test ratio (:1)	**6,5**	3,5	6,2	5,0	5,8
Debt-equity ratio (:1)	**0,18**	0,15	0,00	0,01	0,02
Operating margin (%)	**21,7**	11,5	25,5	26,2	28,7
Operating margin before depreciation (%)	**23,1**	12,1	26,4	27,2	29,8
Taxed profit/revenue (%)	**15,3**	7,7	20,5	20,0	21,2
Operating profit/average shareholders' funds (%)	**29,3**	15,5	31,8	64,7	34,5
Operating profit/average total assets (%)	**29,5**	15,5	31,8	35,7	34,5
Weighted average number of shares (000)	**100 556**	98 199	96 776	97 567	125 097
Earnings per share	**99,4**	43,8	92,2	79,1	51,7
Dividends per share (cents)	**13,0**	1,0	10,0	–	5,0
Share premium reduction per share (cents)	**7,0**	10,0	–	–	–
NAV per share including intangibles (total shares)	**517,2**	439,0	401,0	321,9	243,9
NAV per share excluding intangibles (total shares)	**510,1**	439,0	401,0	321,8	243,7
employee statistics					
Number of employees	**544**	436	402	371	398
Revenue per employee (R000)	**1 197**	1 277	1 085	1 043	766
Assets per employee (R000)	**1 306**	1 285	1 161	1 070	801
Average number of years service	**4,1**	4,6	4,5	4,9	5,3

** Comparative figures have been reclassified, refer to note 26.*

directorship

Back row: Willem Jungschläger, Rick Garratt, John Bester, Pierre Joubert
Front row: Amanda Chorn, Annalize Kirsten, Shirley Maltz

HomeChoice Holdings Limited

executive

Rick Garratt (63)
BCom, CA(SA)
Chairman
Founded the group in 1985

Shirley Maltz (38)
BCom, CPE, LPC
Appointed 2004

Annalize Kirsten (41)
BCompt (Hons), CA(SA)
Appointed 2002

non-executive

John Bester (63)
BCom, CA(SA)
Appointed 2009

Amanda Chorn (51)
BA, LLB, LLM
Appointed 2005

Pierre Joubert (44)
BCom, CA(SA)
Appointed 2009

Willem Jungschläger (53)
BA (Hons),
PhD (Psychology)
Appointed 2009

operational company directors

Rick Garratt (63)
BCom, CA(SA)
Chairman
Founded the group 1985

Shirley Maltz (38)
BCom, CPE , LPC
Chief executive officer
Joined the group
in 2001

Annalize Kirsten (41)
BCompt (Hons), CA(SA)
Chief operating officer
Joined the group
in 1999

Anthea Abrahams (39)
BPrim Ed, PDM
Marketing director
Joined the group
in 2007

Bradley Bastard (35)
BCom, MCom (Tax), CA(SA)
Finance director
Joined the group
in 2008

Cathy Mackenzie (41)
BA
Merchandise director
Joined the group
in 2009

Elmori Richter (35)
Nat Dip HR, CIPD (UK)
Human resources director
Joined the group
in 2010

Robert Ross (65)
Logistics director
Joined the group
in 1986

Lorraine Steyn (47)
BAA
ICT director
Joined the group
in 2006

Sean Wibberley (39)
BSc Elec Eng, MBA
Chief executive officer – FinChoice
Joined the group
in 2006

Mike Roux (49)
BSc (Hons), HDE (PG), MPhil
Credit risk director
Joined the group
in 2007

2009 was a difficult year for the South African **economy.** Despite this **environment** both **HomeChoice** and **FinChoice** managed to show **good revenue growth.**

General economy

2009 was a difficult year for the South African economy, with significant economic shocks from the world economic contraction and a substantial increase in unemployment, particularly in the mass market. Our consumer target market, the urban mass market female, was affected by this.

However, despite this environment, I am pleased that both HomeChoice and FinChoice managed to show good revenue growth. Demand from our customers started to pick up in the second half of the year, especially in the last quarter, and we believe this trend will continue in 2010.

Financial performance

Revenue

Group revenue increased by 17% from R557 million to R651 million. HomeChoice, our main operating subsidiary, increased revenue by 11,7% from R513 million to R573 million, and FinChoice, our financial services business increased revenue by 92% from R38 million to R73 million.

Both these increases are in line with forecasts and group strategy of maintaining steady growth for HomeChoice and faster growth, off a low base, for FinChoice.

Operating profit

Group operating profit increased by 121% from R64,0 million to R141,5 million. HomeChoice increased operating profit by 34% from R75,6 million to R101,0 million, while FinChoice increased operating profit by 379% from R5,7 million to R27,3 million.

The increase in HomeChoice operating profit was influenced by an improved performance of the debtors book and good control of costs.

FinChoice operating profit growth was a direct result of the substantial increase in the amount of personal loans and other financial services sold into the HomeChoice customer base.

Cash flow

Cash flows generated by operations increased by 109% from R33 million to R69 million. HomeChoice generated R95 million (2008: R57 million), while FinChoice consumed R33 million (2008: R24 million).

Cash generated by operations was, amongst other things, also positively impacted by a reduction in inventory levels.

One of our key strategies in setting up the FinChoice business in 2007 was to fund the growth of the loan book internally. In the last three years, the group has invested R113 million and dispersed R328 million of personal loans. I am pleased that the group has been able to achieve this key strategy and I foresee that this objective will continue to be met within the medium term.

Furthermore, it is impressive that in 2009 the group was able to fund growth of R111,6 million in trade and loan receivables from internal resources.

HomeChoice

Credit risk

During the 2008 calendar year the group experienced a significant increase in bad debt write-offs and delinquency levels, especially in HomeChoice. Strong corrective measures were taken and I am pleased to report that credit performance has improved significantly.

Provisions for impairment of trade receivables have reduced as follows:

	2009 R000	2008 R000
HomeChoice		
Trade receivable	**316 622**	272 814
Provision	**59 803**	68 979
Provision percentage	**18,9%**	25,3%
FinChoice		
Loan receivable	**134 686**	66 868
Provision	**15 123**	9 135
Provision percentage	**11,2%**	13,7%

The board is confident that the tightened credit acceptance criteria and better management of the book will ensure that credit performance will remain at acceptable levels. There was a significant focus on our collection area and we are continuing to see improvements.

Financial services products are only offered to HomeChoice customers of good credit standing after they have been on the HomeChoice debtors book for at least six months. At 31 December 2009, 26 000 personal loans were granted by FinChoice to the HomeChoice active and recently inactive customer base of 366 000 at that date.

Statement of financial position

The ordinary shareholders' interest increased by 20,5% from R437,3 million to R527,0 million.

The bank overdraft of R63 million in 2008 was converted into long-term funding of R59 million repayable in 10 years, to fund a portion of the head office building.

During the course of the year the group decided to increase its interest in a aeroplane and now owns 75% of the aeroplane partnership. This has increased the property, plant and equipment and the amount owing under suspensive sale agreements.

Nearly all group borrowing is used to fund the purchase of long-term assets, such as the head office building. Other than these longer-term borrowings, the group had no other interest-bearing liabilities and has cash on hand at December 2009 of R101 million, including the listed preference shares.

Dividends and share premium reduction

Dividends totalling 13 cents per share were paid to shareholders during the year. In addition a share premium reduction of 7 cents per share was paid, making the total distribution paid to shareholders 20 cents per share, or R20 million.

Directorate

Mr P Joubert was appointed to the board on 23 March 2009. Mr Joubert represents a subsidiary of Rand Merchant Bank who owns approximately 9,5 million shares.

Mr R Lumb resigned from the board on 1 October 2009, as he wished to retire from his directorships. I would like to thank Rob for his outstanding service and wish him well in his retirement years.

Mr J Bester and Dr W Jungschläger were appointed to the board on 1 October 2009.

Mr M Scholtz was appointed to the board on 1 October 2009 and resigned from the board on 1 February 2010.

Prospects

Improvements in the merchandise offering from the second half of 2009, together with a better economic outlook, are leading to customer demand showing improved levels in early 2010 for both the retail and financial services businesses.

The group expects to show a reasonable increase in operating profit for HomeChoice, with FinChoice continuing to show considerable growth.

Acknowledgements

On behalf of my board I wish to extend thanks to:

- our customers for their loyal support;
- our employees for their efforts in the face of a challenging year;
- our suppliers and business partners;
- my fellow board members and management team who add considerable value to the group; and
- our shareholders, for your continued investment and confidence in the group.

RE Garratt
Chairman

12 March 2010
Cape Town

Despite a tough year, we have managed to **achieve our key financial targets**. Our revenue increased by 11,6% and our **gross profit percentage improved** to 49,9%.

Financial and trading performance

Retail trading conditions remained difficult throughout the 2009 year in spite of declining interest rate trends. High consumer debt, food inflation and retrenchments continue to impact negatively on our customers. However, we have managed to achieve our key financial targets despite a tough year. Our revenue increased by 11,6% and our gross profit percentage improved marginally from 49,7% to 49,9% which we were pleased with.

Our operating margin has improved by 19,7% from 14,7% to 17,6%. This is largely due to an improvement in bad debt, which I will comment on further, and tighter cost control.

We have continued to focus on our key customer proposition of offering her value and the high-quality orientation of our products. Despite continuing cost pressure and rand volatility we have remained true to this proposition. Although more discerning and price sensitive, she has recognised this commitment to our quality, and our merchandise sales are up 9,3%. Our focus has remained on textiles, particularly bedding. However, our new appliance range is also experiencing strong demand.

We experienced weaker customer demand than forecast in the first half of the year due to price inflation. As a result we shifted strategy in the second half and considerably increased promotional focus across both merchandise and marketing. This refocus was successful and our intake value per thousand customers mailed increased by 12% year on year to R239 800. This is a significant achievement, being our highest level in the company's history.

Part of our 2009 strategy was to focus on reducing our stock and tightening up on stock movement. To this end we reduced our inventories by 17,3% from R45,7 million to R37,8 million. While overall stock levels have improved significantly, focus remains on further improving our stock health by increasing our current stock on hand. Investment in improved merchandise systems will facilitate this and therefore remains a focus for 2010. We do not foresee large inventory gains going forward.

Managing credit risk

We took a conservative approach to credit during the year and reduced our new customer acquisition acceptance rates by 15,5% from 58% to 49%. We tightened policy through credit limit changes, antifraud initiatives and changes to our scorecards for both new and existing customers.

We increased our sales into our existing customer base, and the total sales to new customers and new not first-time purchases decreased year on year from 45% to 34%. This focus on existing customer sales, improved collections activity and tightened credit policy has resulted in net bad debts as a percentage of revenue decreasing from 19,5% to 11,3%. Furthermore our provision for impairment on trade receivables has declined from 25,3% to 18,9%.

During the 2009 year we took further steps to curb the increase in bad debts experienced in the 2008 year within our collections area. We reviewed our outsourced partners, collections and legal recoveries strategy. Our cash generated by operating activities as a percentage of revenue has increased by 49,5% from 11,1% to 16,6%. We are continuing to see improvements in the collections area and we are confident in this area's ability to meet its targets for 2010.

During the course of 2009 we developed a number of new models for forecasting provisioning and bad debt. These models will be refined during 2010 and will increasingly integrate with our marketing strategies.

Our customers and our people

We have continued to focus on our culture through our defined values. These have been picked up by each area in the business and are carried forward into functional, specific goals based on the business values.

Our leadership team is committed to positively developing the culture within the organisation, particularly focusing on recognition and improving communication, both of which have been raised by staff as needing greater focus. We have taken part in a culture and values study with the London Business School's MBA programme for the third year in a row. This has again provided us with valuable insight into how we can continue to innovate and enhance skills within the broader leadership and across the organisation. An internal programme has been established to leverage off the London Business School findings to implement issues raised.

We are a fully accredited training provider with the Wholesale and Retail SETA, and our training programmes are aligned to the unit standards as set out in the relevant National Qualifications Framework legislation. Employees have the benefit of attending accredited training courses which are designed and developed internally and are awarded credits on the national qualifications framework. Our training centre has remained a source of strength for the business – our call centre training in particular. We continue to invest in our leadership team and have redeveloped our management development programme to this end; both our junior and senior management programmes are accredited. Furthermore, during 2009 we have launched Free to Grow lifestyles programmes that have added to the dynamic courses offered within the business.

National recognition for excellence within our call centres

Our outbound call centre has been recognised as a source of excellence within the country and was awarded the "Best outbound campaign" by Business Process enabling South Africa (BPenSA) in October 2009. This award has created a sense of pride throughout the organisation and is testament to both the area's management and our training team.

Investing for growth

The key driver of our growth is our retail formula. Ensuring that this is continually challenged and improved is of paramount importance. To this end we have set up an innovation studio as a resource for the merchandise and marketing teams. The objective of the studio is to challenge the business thinking and research international trends, brands and merchandise ideas. We believe this initiative will leverage our outstanding merchandise skills and strengthen our retail offering to the customer in the future.

The direct selling order channel that was set up during 2009 was successfully implemented and has started to gain momentum. With this initiative we are further leveraging off our customer base to launch a group of sales agents.

We tested a Christmas catalogue for the first time in 2009, with good results. This will be rolled out in the fourth quarter of 2010, with a greater focus on our Christmas offer to our customer.

There is significant focus on technology within the business in 2010. We have a number of key strategic projects being implemented in the first half of the year. There are a number of customer-facing initiatives that affect our ability to sell to our customers. We are developing our strategic planning tools across both the merchandise and marketing areas. Finally we are implementing a new debtors management system in the third quarter. These projects will provide a strong base for future development of our technology systems which are critical to our business.

Outlook for 2010

The retail environment will continue to pose challenges to the business. However, the board feels that, despite this environment, we will be able to show reasonable growth in both revenue and operating profit in 2010.

Thank you

In closing I would like to thank all of our staff at our head office and distribution centres for their contribution this year. Our continued focus on our performance areas, despite tough market conditions, has resulted in us having a successful year.

Finally I would like to thank each of the directors for their support, guidance and driving of our strategy through the business.

S Maltz

Shirley Maltz
Chief executive officer

12 March 2010
Cape Town

Our **loan disbursements increased** from R100 million in 2008 to R192 million in 2009, **growing revenue** from R37,7 million to R72,8 million.

FinChoice enjoyed a successful year in 2009 – our third year of trading. Operating profit growth was substantial, increasing from R5,7 million in 2008 to R27,3 million in 2009. This was driven by outstanding revenue growth combined with a stable fixed-cost base.

In 2009 FinChoice focused on automating business processes and implementing efficiencies across the business. Our technology environment was upgraded, which will serve the business well for many years. We also developed a strong management team with expertise in each of the key business areas – marketing, credit risk, operations and technology.

Revenue and operating profit

Our loan disbursements increased from R100 million in 2008 to R192 million in 2009, growing revenue from R37,7 million to R72,8 million. This 93% increase was well within our operational, systems and credit management capacities, and demonstrates our ability to scale our business efficiently into the future.

Operating profit of R27,3 million was driven by the increased revenue, a stable fixed-cost base and a decrease in the cost of bad debt from 37,8% to 28,6% of revenue.

In 2009 we experienced good demand for new loans, albeit at slightly lower levels than in 2008. We have implemented changes to our marketing strategy and are seeing a recovery to previous response levels. Repeat lending business from our existing customers significantly exceeded our expectations. This is a very positive development for growth in future years.

Credit risk

Our loan book performed solidly during 2009. This was primarily due to the growth of the ratio of repeat loans to existing customers, continued tightened credit criteria and improved collection processes.

Credit risk within FinChoice is managed within very tight parameters by applying the following criteria:

- We grant personal loans to HomeChoice customers of good credit standing who have been paying their retail account for at least six months.
- We apply both an application and behaviour scorecard to further refine who we lend to.
- All repayments are collected using a real-time debit order, thereby ensuring timely collection of available funds from a bank account on the customers' salary dates.
- We have a specialised collections area to follow up on any unpaid debit orders with automated processes to deal with any anomalies.

Prospects

FinChoice expects a significant increase in our operating profit for 2010, driven by:

- A significant increase in revenue, albeit less pronounced than the 2009 increase.
- A stable fixed-cost base that provides for future growth.

The business matured during 2009 and our critical mass, combined with established business practices and processes, will serve our shareholders well in 2010. We do not foresee significant changes to our business in 2010 and will focus on growing the revenue and profits in a controlled environment.

My thanks go out to the FinChoice staff, management team and directors for their dedication, drive and camaraderie which made 2009 the success it was.

Most importantly, FinChoice thanks our customers for their continued loyal support.

Sean Wibberley
Chief executive officer

12 March 2010
Cape Town

The group is committed to best corporate governance practice and risk management to safeguard the interests of all stakeholders.

The King Code of Corporate Practices and Conduct

The group fully endorses the principles incorporated in the Code of Corporate Practices and Conduct outlined in the King II report. The code forms the basis upon which the group's commitment to sound corporate governance is pursued. The various committees of the board of directors are charged with monitoring and evaluating conformity with the provisions of the King II Report as far as possible, to ensure fairness, accountability, responsibility and transparency in the conduct of the group's various business enterprises.

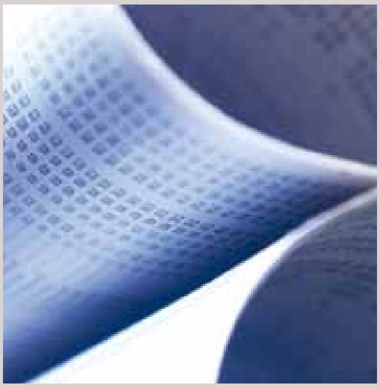
King III became effective in South Africa on 1 March 2010. Although King III is not yet applicable to the group, HomeChoice is currently reviewing the report to ensure conformance when it is adopted.

All board members are required to disclose their shareholdings in HomeChoice, other directorships and any potential conflicts of interest.

A documented, formal board charter outlines the composition, scope of authority and responsibilities of the board. An abbreviated version of the board charter is set out below:

- The board is the focal point of the corporate governance system.
- The board is ultimately accountable and responsible for the performance and affairs of the company.
- The board must give strategic direction to the company through adoption of strategic plans.
- The board must appoint the chief executive officer and ensure that succession is planned.
- The board must retain full and effective control over the company.
- The board must ensure that the company complies with all relevant laws, regulations and codes of business practice.
- The board must ensure that it communicates with its share owners and relevant stakeholders openly and promptly.






Board of directors

The HomeChoice Holdings Limited board is ultimately accountable and responsible for the performance and affairs of the group.

The board comprises three executive directors and four independent non-executive directors. Its primary responsibility is setting the strategic direction of the group and monitoring investment decisions, considering significant financial matters and reviewing the performance of executive management. Director appointments are made by the board in a formal and transparent manner.

The board meets at least four times per year, with additional meetings added where circumstances necessitate, and all meetings are convened by formal notice. The board and its committees are timeously supplied with comprehensive information to enable them to have meaningful debate and discharge their responsibilities. All directors have unrestricted access to the company secretary and all company records, and are entitled to independent professional advice at company expense should the circumstances warrant it.

- The board must have unrestricted access to all company information, records, documents and property.
- The board must identify key risk areas and key performance indicators of the business enterprise.
- The board must regularly review processes and procedures to ensure the effectiveness of the company's internal systems of control.
- The company should be headed by an effective board that can both lead and control the company.
- Procedures for appointments to the board should be formal and transparent.
- The board should ascertain whether potential new directors are fit and proper and are not disqualified from being directors.
- The board should establish a formal and transparent procedure for developing a policy on executive and director remuneration.
- The board should meet at least once a quarter.
- Non-executive directors must have access to management and may even meet separately with management.

- At a minimum, the board must have an audit and a remuneration committee.
- The board should regularly (at least annually) review its required mix of skills, experience and diversity in order to assess the effectiveness of the board.

The main board of directors has delegated specific responsibilities to board committees to assist the board in meeting its oversight responsibilities.

The committees meet independently and formally report back to the board.

Audit committee

The committee, which is chaired by an independent non-executive director, comprises three non-executive directors. Meetings are also attended by invitees, including the executive chairman, the chief operating officer, the finance director and external auditors. The external auditors have unlimited access to the chairman of the committee. The committee meets at least four times per year. Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties.

The audit committee is governed by a formal charter, setting out its responsibilities. The role of the audit committee is, inter alia:

- To review the appropriateness and adequacy of the systems of internal financial and operational control
- To ensure that written representations on internal control are submitted to the board annually by operational directors, providing assurance on the adequacy and effectiveness of the group's systems of internal control and compliance with laws and procedures
- To review accounting policies and financial information issued to shareholders
- To provide effective communication between directors, management and external auditors
- To identify and continuously evaluate exposure to significant risks
- To monitor and supervise the effective functioning and performance of internal audit
- To confirm the nomination and appointment of the external auditors each year, and approve the terms of engagement and fees paid
- To fulfil the function of audit committee to group subsidiaries

Remuneration committee

The committee, which is chaired by a non-executive director, comprises two non-executive directors, and is also attended by invitees including the executive chairman and chief operating officer.

The key mandate of the committee is to ensure that the remuneration of executive directors and senior management is competitive and appropriate to the levels of responsibility carried, with particular attention to retention and performance. The committee meets at least four times per year.

Executive directors receive salaries, benefits and performance bonuses. The non-executive directors receive fees for their services on the board and committees of the board. The remuneration committee reviews remuneration levels on an annual cycle.

Risk management

The board is accountable for the process of risk management and the system of internal control which are regularly reviewed for effectiveness and for establishing appropriate risk and control policies and communicating these throughout the company.

Significant risks are identified, evaluated and managed on an ongoing basis. The group has also adopted an annual documented risk management process that ensures that all material risks are identified, evaluated and mitigated wherever possible and compliance with laws and regulations assessed. This process is undertaken within each division of the group's trading subsidiary companies and serves to instil risk awareness and accountability throughout the group.

An anonymous tip-off facility is in place for the reporting of suspected fraudulent or unethical behaviour via an outsourced toll-free hotline. Staff awareness of this facility is promoted through posters and an induction programme.

The board believes that there is an adequate system of internal control in place to mitigate significant risks faced by the company to an acceptable level. This can only provide reasonable, but not absolute, assurance.

Internal audit

The group has a comprehensive reporting system, monitored and reviewed monthly by management and directors. The system facilitates budgetary control, provides reasonable assurance as to the accuracy of financial statements and safeguards the group's assets.

The group has established an internal audit function, reporting directly to the audit committee, to provide assurance on the adequacy and effectiveness of internal control and risk management practices, and assisting management by making recommendations for improvement. As the department is limited in its capacity, the directors also utilise the services of professional audit firms to assist in evaluating internal control and business risks as and when required.

The group is committed to meeting the short-term financial needs of shareholders and ensuring long-term sustainable profitability and balanced growth, whilst considering the needs of all our stakeholders, the environment, local communities and society at large.

Employment equity

The purpose of black economic empowerment (BEE) is to eradicate unfair discrimination in the workplace and to implement positive measures so as to redress the disadvantages in employment experienced by designated groups. HomeChoice fully supports the policy of broad based BEE, and has put measures in place to ensure that the workplace remains one of equal opportunities for all. The group has established a BEE committee, made up of management, technical staff, sales staff, clerical staff and general workers, each of whom is representative of one of the various demographic groups. The duties of the committee are:

- To focus on positive outcomes in the spirit of co-operation and transparency
- To find solutions for BEE-related concerns
- To audit our workforce composition, attitudes and perceptions

The group is compliant with all aspects of the Employment Equity Act, No. 55 of 1998, and is focused on its commitment to provide career advancement opportunities to both genders and members of previously disadvantaged communities. The group's progress towards these labour equity objectives is the subject of continuing review and measurement. Group personnel employment and promotion practices are premised upon equal opportunity and merit and the directors continue to closely monitor the employment equity progress of the group.

Skills development

The group operates an ongoing programme of personnel development and training is designed to skill our staff in all areas where a need has been identified, addressing both business and leadership competencies.

HomeChoice is a fully accredited training provider with the Wholesale and Retail Seta (WR&SETA), and our training programmes are aligned to the unit standards set out in the relevant National Qualifications Framework (NQF) legislation. Employees have the benefit of attending accredited training courses which are designed and developed internally and are awarded credits on the national qualifications framework. The primary area of focus is talent/skills development of all employees within the HomeChoice group, to provide the skills and behaviours to promote a sustainable business model for the future, as well as aiding job satisfaction for all employees. As such we have developed our own accredited leadership programmes, namely our Junior Management Development Programme and Management Development Programme. In 2009 we launched the Free to Grow Lifeskills programme that has added to the dynamic offering of courses within the business. As a training provider we recognise the value of quality assurance for our employees by ensuring the standards set by the relevant Seta's are met and surpassed with excellence.

Employee benefits

All permanent staff are required to join the HomeChoice Provident Fund, which is a defined contribution provident fund established in 1994.

The fund is managed by a board of trustees that meet quarterly and the trustees do not receive remuneration for their services. Fifty percent of the trustees are member-elected. The assets of the fund are under the control of the trustees, who are advised by external consultants.

Apart from retirement benefits, the following are provided by the fund:

- A death benefit of four times annual salary (plus approximate taxable portion) as well as the member's fund credit is available to provide benefits to dependants and beneficiaries
- An insured disability benefit equating to 75% of pensionable salary earned at the time of disablement
- Collateral surety on a housing loan

The group provides educational assistance or bursaries to employees to assist with the costs of studies that will assist them with their current or future career with the group, as well as paid study leave to sit examinations.

A weekly health service is provided by a nursing sister to all employees working at the head office.

Staff also enjoy the benefits of our HomeChoice Club, which include:

- 24/7 toll-free advice on a range of topics, including legal issues, child support, health, HIV/AIDS, and trauma and assault counselling
- Emergency medical assistance
- Assault and trauma cover
- Personal funeral benefit

corporate social investment

The group is committed to sustainable economic development and social upliftment in the communities amongst which we operate and where our customers reside.

The HomeChoice Development Trust

The HomeChoice Development Trust was registered as a charitable organisation in 2006, with specific emphasis on the upliftment of women and children, and in particular pre-school education. The Trust receives annual donations of R1 million from the group, and donations made by the Trust to date amount to R4 million.

The Development Trust's activities are governed by four trustees, of whom two are independent.

The HomeChoice Club

Although primarily focused on providing a member benefit programme open to all HomeChoice customers, the club is also committed to community assistance, developing initiatives such as bursary giveaways and providing sports equipment, books and other educational necessities for needy schools located in the communities in which we operate.

Environment

Whilst the group's activities are considered to have a low direct impact on the environment, HomeChoice has implemented the following measures at its head operations office in order to reduce its carbon footprint:

- Implementation of a Building Management System that controls and monitors the building's mechanical and electrical equipment, such as air conditioning, lighting, electrical power and security systems
- Air conditioning with built-in automatic load-shedding to ensure that the maximum energy demand is kept below a certain limit
- Lighting clusters controlled by movement sensors, with energy-efficient fluorescent lamps
- Tinting windows to minimise heat absorption
- Use of flat LCD computer screens to conserve energy
- Hot water controlled by timer switches

HomeChoice recycles its paper and packaging and has extended its recycling efforts to include tins, plastic and glass at the head operations office. All recyclable items are collected from their respective bins throughout the workplace and all proceeds from reusable and recyclable items are donated.

In the interests of sustainability, HomeChoice also continues to educate employees and customers through our club magazine about the importance of helping conserve our planet's natural resources.

Independent Service Provider Initiatives

HomeChoice has implemented an owner/driver initiative that employs the services of Independent Service Providers (ISPs) for the purpose of delivering HomeChoice parcels in South Africa's main cities. HomeChoice provides the ISPs with free training, offers financial support for vehicle maintenance and repairs, and has provided a number of ISPs with personal computers and a tracking system in order to help them manage their business.

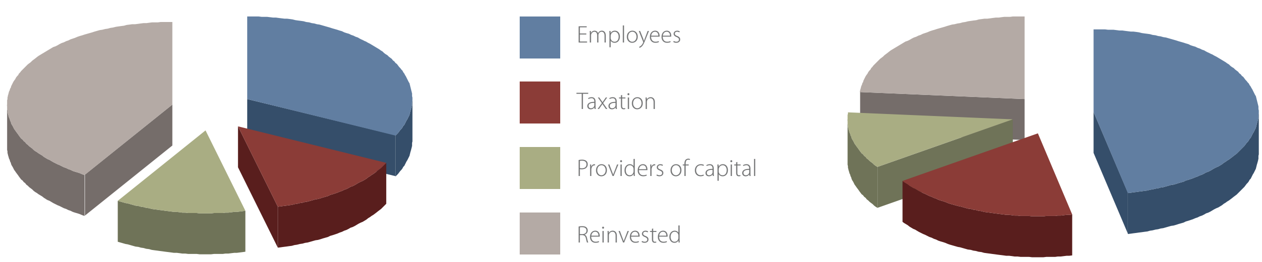
value added statement

	Note	2009 R000	%	2008 R000	%
Revenue		**651 152**		556 981	
Interest received		**4 484**		5 937	
Other income		**1 065**		1 568	
Impairment of investments		**–**		(10 535)	
Paid to suppliers for goods and services		**(404 214)**		(400 679)	
Value added		**252 487**	**100,0**	153 272	100,0
Applied as follows:					
Employees					
Remuneration to employees		**97 882**	**38,8**	82 793	54,1
Taxation					
Normal tax		**31 520**	**12,5**	24 593	16,0
STC		**–**	**–**	–	–
Providers of capital					
To lenders as finance charges		**9 031**	**3,5**	3 744	2,4
To shareholders as dividends and share premium reduction		**20 152**	**8,0**	10 925	7,1
Reinvested	1				
Reinvested in the group to finance future expansion and growth		**93 902**	**37,2**	31 217	20,4
Employment of value added		**252 487**	**100,0**	153 272	100,0

Notes to the value added statement

		2009 R000	%	2008 R000	%
1.	**Reinvested in the group to finance future expansion and growth**				
	Depreciation and amortisation	**9 147**	**3,6**	3 497	2,3
	Deferred taxation	**4 993**	**2,0**	(4 383)	(2,9)
	Retained income	**79 762**	**31,6**	32 103	21,0
		93 902	**37,2**	31 217	20,4
2.	**Taxes**				
	Direct taxation as above	**31 520**		24 593	
	Net value added tax	**9 839**		(752)	
	Employees' taxation	**14 425**		14 571	
	Channelled through the group	**55 784**		38 412	

2009 **2008**



HomeChoice

group
financial statements


contents

report of the audit committee

The audit committee

The members of the audit committee for the period under review were as follows:

JA Bester (Chairman) (appointed 1 October 2009)
WFM Jungschläger (appointed 1 October 2009)
P Joubert (appointed 23 March 2009)
R Lumb (resigned 1 October 2009)
A Chorn (resigned 1 October 2009)

The audit committee is comprised solely of non-executive directors who are independent according to the King II definition. Of the current committee members, JA Bester and P Joubert are Chartered Accountants (SA).

The committee met four times during the period under review and the chairman of the committee reports to the board after each committee meeting.

The board of directors has approved written terms of reference, as contained in the audit committee charter, for the audit committee. The committee is appointed to assist the board in discharging its duties relating to:

- The nomination of auditors for appointment as external auditors
- The determination of the fees and terms of engagement of the external auditors
- The appointment of the auditors and ensuring that it complies with the Companies Act and any other legislation
- The determination of nature and extent of any non-audit services that the auditors may provide to the group
- The approval of any contract with the auditors for the provision of non-audit services to the group
- Preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards
- The operation of adequate systems, control processes and safeguarding of assets
- Compliance with legal and regulatory provisions
- Further functions as may be prescribed

The main duties and activities of the committee during the period under review can be summarised as follows:

External audit

The committee nominated for appointment the external auditor, reviewed the audit plan, the terms of engagement and the audit fee budget. It is satisfied that both the external auditor and the engagement partner is independent of the group and management.

The committee reviewed the external auditor's opinion on the financial statements and has considered any reports on risk exposure and weaknesses in internal controls.

The committee preapproves any proposed contract with the auditors for provision of non-audit services. No such requests were received during the period under review.

Results and financial statements

The committee has reviewed the group's interim and annual financial statements for the period and has considered matters such as the selection of accounting policy and disclosure.

The committee makes recommendations to the board for the adoption of the financial statements.

Risks and internal controls

The committee reviews activities and findings of the internal audit function. The committee reviewed reports on certain internal controls prepared by the internal audit department and independent consultants.

The committee reviewed reports from the external auditor and independent consultants on the controls regarding security, financial and accounting systems and reporting and satisfied itself that management maintains an effective control environment and identifies and manages critical risk areas.

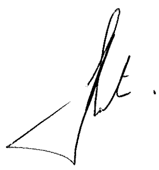
The committee approved the internal audit plan.

Compliance with laws and regulations

The committee reviewed the process in place to ensure compliance with legal and regulatory provisions.

Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit, the committee confirmed that:

- the internal controls of the group have been effective in all material aspects throughout the year under review;
- these controls have ensured that the group's assets have been safeguarded;
- proper accounting records have been maintained;
- resources have been utilised efficiently; and
- the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and that it recommends their reappointment in 2010.



JA Bester
Chairman of the audit committee

12 March 2010

directors' responsibility and approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial 12 months and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Companies Act in South Africa 1973, as amended. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the 12 months to 31 December 2010 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 23.

The financial statements set out on pages 24 to 73 which have been prepared on the going concern basis, were approved by the directors on 12 March 2010 and were signed on their behalf by:

RE Garratt	**S Maltz**
Executive chairman	*Chief executive officer*

12 March 2010

report of the company secretary

Pursuant to section 268G(d) of the Companies Act (61 of 1973 as amended), I confirm that to the best of my knowledge and belief all returns required in terms of the said Act have been duly lodged with the Registrar of Companies and all such returns are true, correct and up to date.

BJ Bastard
Company secretary

12 March 2010
Cape Town

independent auditor's report to the members of homechoice holdings limited

We have audited the group annual financial statements and annual financial statements of HomeChoice Holdings Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2009, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 24 to 73.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa 1973, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of the company and group as at 31 December 2009, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa 1973, as amended.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Director: MC Hamman
Registered Auditor

Cape Town
12 March 2010

report of the directors

Nature of business

HomeChoice Holdings Limited, incorporated in South Africa, is an investment holding company. Trading activities are conducted through two main subsidiaries. HomeChoice is involved in the direct marketing of an exclusive range of products on a credit and cash basis with most of the business being conducted over the telephone using sophisticated telephone marketing techniques. FinChoice leverages off the retail customer base providing personal loans and other financial services.

Retail and financial results

The results of operations for the year are set out in the statements of comprehensive income, and commentary thereon is provided in the reports from the chairman and chief executive officers.

Share capital

The unissued shares are under the control of the directors until the next annual general meeting. Details of the authorised and issued share capital are contained in note 11 to the group annual financial statements.

Reduction of share premium

The company's share premium was reduced by an aggregate amount of R7,271 million which was utilised to repay members an amount of 7 (seven) cents per ordinary share in the capital of the company held by its members.

Dividend

The company declared and paid dividends of R13,503 million (2008: R1,039 million), or 11 cents per ordinary share (2008: 1 cent per ordinary share), during the year. This gave rise to secondary tax on companies (STC) of R1,350 million (2008: R0,104 million) against which STC credits of R1,350 million (2008: R0,104 million) were utilised.

Subsidiary companies

Details of the company's investments in subsidiaries are set out in note 1 to the company annual financial statements. The interest of the company in the aggregate profits after taxation of the subsidiary companies is R103,490 million (2008: R46,559 million).

Events after balance sheet date

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or the group annual financial statements, that would affect the operations of the group or the results of those operations significantly.

Sale of shares to directors and employees

As part of an Employee Share Incentive Scheme, 1,150 million (2008: 3,230 million) shares in HomeChoice Holdings Limited were sold to certain directors and senior management at market value, for an aggregate amount of R4,266 million (2008: R11,952 million) and financed by the provision of a loan from the HomeChoice Share Trust as contained in note 3 to the annual financial statements.

Directors

The board of directors at the date of this report are as follows:

RE Garratt
SM Maltz
A Kirsten
JA Bester @ # * (appointed 1 October 2009)
A Chorn @
P Joubert @ * (appointed 23 March 2009)
WFM Jungschläger # @ * (appointed 1 October 2009)

@ Non-executive director
# Member of the remuneration committee
* Member of the audit committee

RL Lumb resigned from the board on 1 October 2009. HvdM Scholtz was appointed to the board on 1 October 2009 and resigned from the board on 1 February 2010.

In terms of the articles of association, S Maltz, A Chorn, JA Bester and WFM Jungschläger retire at the annual general meeting. S Maltz, A Chorn, JA Bester and WFM Jungschläger, being eligible, offer themselves for re-election.

Company secretary

BJ Bastard

Country of incorporation

South Africa

Business and postal address

The company secretary
78 Main Road
Wynberg 7800
Private Bag X150
Claremont 7735
South Africa

Group statement of financial position

at 31 December 2009

	Note	**2009 R000**	2008 R000
## Assets			
Non-current assets			
Property, plant and equipment	1	**168 710**	119 077
Intangible assets	2	**7 152**	–
Loans to employees	3	**8 848**	6 790
Investment in associate	4	**–**	7 957
Deferred tax	5	**4 963**	2 786
		189 673	136 610
Current assets			
Non-current assets held for sale	6	**963**	–
Available-for-sale investments	7	**45 192**	43 346
Inventories	8	**37 786**	45 669
Trade and other receivables	9	**380 051**	277 608
Receiver of Revenue		**915**	59
Cash and cash equivalents	10	**55 891**	57 085
		520 798	423 767
Total assets		**710 471**	560 377
Equity attributable to owners of the parent			
Share capital	11	**1 039**	1 039
Share premium	12	**139 004**	146 275
Treasury shares	13	**(6 205)**	(7 223)
Revaluation reserve		**4 942**	325
Distributable reserve		**388 245**	296 918
		527 025	437 334
Non-controlling interest		**(4 498)**	–
Total equity		**522 527**	437 334
Non-current liabilities			
Interest-bearing liabilities	14	**85 293**	162
Other payables	15	**3 390**	–
Deferred tax	5	**25 084**	15 277
		113 767	15 439
Current liabilities			
Trade and other payables	15	**45 892**	41 281
Provisions	15	**11 200**	700
Current portion of interest-bearing liabilities	14	**7 458**	535
Receiver of Revenue		**2 443**	1 628
Loan from non-controlling interest holder	16	**7 184**	–
Bank overdraft	10	**–**	63 460
		74 177	107 604
Total liabilities		**187 944**	123 043
Total equity and liabilities		**710 471**	560 377

Group statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 R000	2008 R000
Revenue	17.1	**651 152**	556 981
Retail sales		**363 555**	332 567
Cost of sales		**(182 089)**	(167 263)
Gross profit		**181 466**	165 304
Finance charges earned		**174 054**	139 027
Fees from ancillary services		**108 859**	80 221
Other net gains and losses		**1 065**	1 568
Trading expenses		**(328 631)**	(316 707)
Trading profit		**136 813**	69 413
Dividends received		**4 684**	5 166
Impairment of available-for-sale investments		**–**	(10 535)
Operating profit	17.2	**141 497**	64 044
Interest paid		**(9 031)**	(3 593)
Interest received		**4 484**	5 937
Equity loss on associate		**(523)**	(3 150)
Profit before taxation		**136 427**	63 238
Taxation	18	**(36 513)**	(20 210)
Profit for the period		**99 914**	43 028
Profit attributable to:			
– Owners of the parent		**102 501**	43 028
– Non-controlling interest		**(2 587)**	–
		99 914	43 028
Profit for the period		**99 914**	43 028
Other comprehensive income, net of tax			
Property, plant and equipment			
Gains arising during the year		**3 027**	–
Available-for-sale financial assets			
Gains/(losses) arising during the year		**1 590**	(2 562)
Less: Reclassification adjustment for impairment included in profit or loss		**–**	9 060
Total comprehensive income for the year		**104 531**	49 526
Attributable to:			
– Owners of the parent		**107 118**	49 526
– Non-controlling interest		**(2 587)**	–
Total comprehensive income for the year		**104 531**	49 526

Group statement of cash flows

for the year ended 31 December 2009

	Note	2009 R000	2008 R000
Cash flow from operating activities			
Cash receipts from customers		**707 467**	561 711
Cash paid to suppliers and employees and loans disbursed to customers		**(638 134)**	(528 755)
Cash generated by operations	i	**69 333**	32 956
Interest received		**4 484**	6 709
Interest paid		**(9 031)**	(3 744)
Dividends received		**4 684**	5 166
Dividends paid		**(13 099)**	(964)
Taxation paid	ii	**(31 930)**	(32 899)
Net cash inflow from operating activities		**24 441**	7 224
Cash flow from investing activities			
Purchase of property, plant and equipment		**(12 531)**	(75 727)
Purchase of intangible assets		**(5 988)**	–
Proceeds on disposal of property, plant and equipment		**690**	514
Acquisition of subsidiary, net of cash acquired	24	**(1 846)**	–
Loan repaid by/(advanced to) employees		**2 157**	(29)
Investment in associate		**–**	(2 007)
Net cash outflow from investing activities		**(17 518)**	(77 249)
Cash flow from financing activities			
Share premium reduction		**(7 053)**	(9 638)
Purchases of treasury shares		**(120)**	–
Loan from non-controlling interest holder		**2 230**	–
Proceeds from interest-bearing liabilities		**72 368**	–
Repayments of interest-bearing liabilities		**(12 081)**	(919)
Net cash inflow/(outflow) from financing activities		**55 343**	(10 557)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts		**62 266**	(80 582)
Cash, cash equivalents and bank overdrafts at beginning of year		**(6 375)**	74 207
Cash, cash equivalents and bank overdrafts at end of year		**55 891**	(6 375)

		2009 R000	2008 R000
i.	**Reconciliation of cash flows generated by operations**		
	Profit before taxation	**136 427**	63 238
	Non-cash adjustment – loss from associate	**523**	2 855
	Loss on disposal of property, plant and equipment	**271**	324
	Impairment of available-for-sale investments	**–**	10 535
	Loans to employees – amortised cost adjustment	**790**	5 620
	Interest on loans to employees	**(1 083)**	(429)
	Depreciation and amortisation	**9 147**	3 497
	Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**(57)**	–
	Interest paid	**9 031**	3 744
	Interest received	**(4 484)**	(5 937)
	Dividends received	**(4 684)**	(5 166)
		145 881	78 281
	Movements in working capital		
	Decrease/(Increase) in inventories	**7 883**	(9 585)
	Increase in trade and other receivables	**(101 628)**	(29 134)
	Increase/(Decrease) in trade and other payables	**6 697**	(412)
	Increase/(Decrease) in provisions	**10 500**	(6 194)
	Cash generated by operations	**69 333**	32 956
ii.	**Taxation paid**		
	Amounts owing at beginning of period	**(1 569)**	(9 875)
	Amounts charged to profit or loss	**(36 513)**	(20 210)
	SA normal tax	**(31 520)**	(24 593)
	Deferred tax	**(4 993)**	4 383
	Taxation directly charged to equity	**(369)**	–
	Deferred tax movement	**4 993**	(4 383)
	Amounts owing at end of year	**1 528**	1 569
	Net outflow	**(31 930)**	(32 899)

Group statement of changes in equity

for the year ended 31 December 2009

	Share capital R000	Share premium R000	Treasury shares R000	Revaluation reserve R000	Distributable reserve R000	Total R000	Non-controlling interest R000	Total equity R000
Opening balance at 1 January 2008	1 039	156 662	(13 288)	(6 173)	248 219	386 459	–	386 459
Total comprehensive income for the period ended 31 December 2008	–	–	–	6 498	43 028	49 526	–	49 526
Net profit for the period	–	–	–	–	43 028	43 028	–	43 028
Other comprehensive income:	–	–	–	–	–	–	–	–
Losses on available-for-sale investments	–	–	–	(2 935)	–	(2 935)	–	(2 935)
Deferred tax	–	–	–	373	–	373	–	373
Reclassification adjustment for impairment included in profit or loss	–	–	–	10 535	–	10 535	–	10 535
Deferred tax	–	–	–	(1 475)	–	(1 475)	–	(1 475)
Dividends paid for the period	–	–	–	–	(964)	(964)	–	(964)
Reduction of share premium	–	(10 387)	426	–	–	(9 961)	–	(9 961)
Shares sold by the share trust	–	–	5 639	–	6 635	12 274	–	12 274
Balance at 31 December 2008	1 039	146 275	(7 223)	325	296 918	437 334	–	437 334
Total comprehensive income for the period ended 31 December 2009	**–**	**–**	**–**	**4 617**	**102 501**	**107 118**	**(2 587)**	**104 531**
Net profit/(loss) for the period	**–**	**–**	**–**	**–**	**102 501**	**102 501**	**(2 587)**	**99 914**
Other comprehensive income:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Gains on property, plant and equipment revaluation	**–**	**–**	**–**	**5 405**	**–**	**5 405**	**–**	**5 405**
Deferred tax	**–**	**–**	**–**	**(2 378)**	**–**	**(2 378)**	**–**	**(2 378)**
Gains on available-for-sale investments	**–**	**–**	**–**	**1 849**	**–**	**1 849**	**–**	**1 849**
Deferred tax	**–**	**–**	**–**	**(259)**	**–**	**(259)**	**–**	**(259)**
Dividends paid for the period	**–**	**–**	**–**	**–**	**(13 099)**	**(13 099)**	**–**	**(13 099)**
Reduction of share premium	**–**	**(7 271)**	**218**	**–**	**–**	**(7 053)**	**–**	**(7 053)**
Non-controlling interest arising on business combination	**–**	**–**	**–**	**–**	**–**	**–**	**(1 911)**	**(1 911)**
Shares purchased by the share trust	**–**	**–**	**(1 160)**	**–**	**–**	**(1 160)**	**–**	**(1 160)**
Shares sold by the share trust	**–**	**–**	**1 960**	**–**	**2 294**	**4 254**	**–**	**4 254**
Tax on shares sold by the share trust	**–**	**–**	**–**	**–**	**(369)**	**(369)**	**–**	**(369)**
Balance at 31 December 2009	**1 039**	**139 004**	**(6 205)**	**4 942**	**388 245**	**527 025**	**(4 498)**	**522 527**

Group segmental analysis

	Retail			Financial services			Property		
	2009		2008	2009		2008	2009	2009	2008
	R000	mvt	R000	R000	mvt	R000	R000	mvt	R000
Segmental revenue	**572 557**		513 216	**72 847**		37 677	**17 273**		2 362
Intersegment	**–**		–	**–**		–	**(17 273)**		(1 439)
Revenue from external customers	**572 557**	**12%**	513 216	**72 847**	**93%**	37 677	**–**	**(100%)**	923
Segmental operating profit/(loss)	**100 974**		75 655	**27 337**		5 711	**14 922**		66
Intersegment	**13 312**		1 279	**3 961**		160	**(17 273)**		(1 439)
Operating profit/(loss) from external parties	**114 286**	**49%**	76 934	**31 298**	**433%**	5 871	**(2 351)**	**71%**	(1 373)
Net interest received/(paid)	**2 709**		(1 199)	**(11 744)**		233	**(6 271)**		(3 037)
Intersegment	**(2 234)**		1 645	**12 016**		–	**–**		–
Net interest received from /(paid to) external parties	**475**	**7%**	446	**272**	**17%**	233	**(6 271)**	**106%**	(3 037)
Profit/(loss) before taxation	**103 683**		74 457	**15 592**		5 944	**8 651**		(2 971)
Tax (expense)/credit	**(28 200)**		(18 798)	**(4 220)**		(1 413)	**(1 115)**		832
Profit/(loss) for the period	**75 483**	**36%**	55 659	**11 372**	**151%**	4 531	**7 536**	**452%**	(2 139)
Segment assets excluding group loans	**329 652**		289 327	**129 323**		64 482	**108 816**		101 904
Segment liabilities excluding group loans	**64 391**		36 353	**3 110**		3 606	**60 040**		67 922
Group loans payable/(receivable)	**(59 213)**		4 754	**123 046**		67 392	**44 037**		36 940
Depreciation and amortisation	**5 649**		3 176	**777**		322	**1 135**		–
Additions to property, plant and equipment	**4 283**		12 544	**549**		443	**7 699**		62 740
Additions to intangible assets	**4 068**		–	**1 920**		–	**–**		–
Non current assets held for sale	**–**		–	**–**		–	**963**		–
Cash generated/(utilised) by operations	**95 096**		57 057	**(32 747)**		(23 692)	**12 673**		7 383

A reconciliation of operating profit is provided as follows:

	2009	2008
Operating profit for reportable segments	**143 233**	81 432
Operating profit/(loss) for all other segments	**3 191**	(3 898)
Intersegment eliminations	**(4 927)**	(13 490)
Total segments	**141 497**	64 044
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets for reportable segments	**567 791**	455 713
Other segment assets	**139 432**	102 015
Intersegment eliminations	**(1 715)**	(137)
Total segments	**705 508**	557 591
Deferred tax	**4 963**	2 786
Total assets per the balance sheet	**710 471**	560 377
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Segment liabilities for reportable segments	**127 541**	107 881
Other segment liabilities and eliminations	**37 034**	22
Intersegment eliminations	**(1 715)**	(137)
Total segments	**162 860**	107 766
Deferred tax	**25 084**	15 277
Total liabilities per the balance sheet	**187 944**	123 043

Group segmental analysis

Other			Eliminations			Total		
2009		2008	**2009**		2008	**2009**		2008
R000	**mvt**	R000	**R000**	**mvt**	R000	**R000**	**mvt**	R000
20 084		6 279	**–**		–	**682 761**		559 534
(14 336)		(1 114)	**–**		–	**(31 609)**		(2 553)
5 748	**11%**	5 165	**–**	**–**	–	**651 152**	**17%**	556 981
3 191		(3 898)	**(4 927)**		(13 490)	**141 497**		64 044
–		–	**–**		–	**–**		–
3 191	**182%**	(3 898)	**(4 927)**	**63%**	(13 490)	**141 497**	**121%**	64 044
10 759		6 347	**–**		–	**(4 547)**		2 344
(9 782)		(1 645)	**–**		–	**–**		–
977	**(79%)**	4 702	**–**	**–**	–	**(4 547)**	**–**	2 344
13 428		(702)	**(4 927)**		(13 490)	**136 427**		63 238
(3 346)		(831)	**368**		–	**(36 513)**		(20 210)
10 082	**758%**	(1 533)	**(4 559)**	**66%**	(13 490)	**99 914**	**132%**	43 028
139 432		102 015	**(1 715)**		(137)	**705 508**		557 591
37 034		22	**(1 715)**		(137)	**162 860**		107 766
(107 870)		(109 086)	**–**		–	**–**		–
1 586		–	**–**		–	**9 147**		3 498
49 337		–	**–**		–	**61 868**		75 727
–		–	**–**		–	**5 988**		–
–		–	**–**		–	**963**		–
(2 965)		(267)	**(2 724)**		(7 525)	**69 333**		32 956

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those adopted in the previous year, except as follows:

The group has adopted the following new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year:

- Annual improvements to IFRS (2008)
- IFRS 1 First-time Adoption of IFRS
- IFRS 2 Share-based Payments
- IFRS 7 Financial Instruments: Disclosure
- IAS 1 Presentation of Financial Statements
- IAS 23 Borrowing Costs
- IAS 32 Financial Instruments: Presentation
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IAS 27 Consolidated and Separate Financial Statements
- AC 503 Accounting for Black Economic Empowerment (BEE) Transactions

The principal effects of these changes are as follows:

Annual Improvements to IFRS (2008)
During the prior year the IFRS Committee approved various minor amendments to existing IFRS. The application of these minor amendments has no material impact on the group's financial statements.

The standards that have been impacted by the 2008 Annual Improvements Project are listed below:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 8 Accounting Policies Changes in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 23 Borrowing Costs (as revised in 2007)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investment in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Property
- IAS 41 Agriculture

IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements
This amendment allowed first-time adopters to use an alternate cost of investment in the separate financial statements of a parent entity. The application of this amendment has had no impact on the group's financial statements.

IFRS 2 Share-based Payments
This amendment clarified the terms 'vesting conditions' and 'cancellations', including that vesting conditions shall be restricted to service and performance conditions only and that all cancellations shall receive the same accounting treatment. The application of this amendment has had no impact on the group's financial statements.

IFRS 7 Financial Instruments: Disclosure
This amendment aimed to enhance disclosures about fair value and liquidity risk by introducing a three-level hierarchy for fair value measurement disclosures, requiring entities to provide additional disclosures about the relative reliability of fair value measurements and clarify existing requirements for disclosure of liquidity risk. The application of this amendment has not had an effect on the financial performance or position of this group, but has impacted on certain disclosures in the financial statements.

IAS 1 Presentation of Financial Statements
This amendment set out comprehensive revisions to the presentation of financial statements, including changes to the titles of financial statements, requiring a statement of comprehensive income and expanded disclosures of income tax and reclassification adjustments. The application of this revised standard has not had an effect on the financial performance or position of this group, but has impacted on certain disclosures in the financial statements.

IAS 23 Borrowing Costs
This revised standard removed the option to expense or capitalise borrowing costs on qualifying assets, and now requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of the asset, provided that it is probable that it will result in future economic benefits to the group and the costs can be measured reliably. The application of this revised standard has had no material impact on the group's financial statements.

IAS 32 Financial Instruments: Presentation – Puttable instruments and obligations arising on liquidation
This amendment set out additional disclosure required if an entity has a puttable instrument that is presented as equity. The application of this amendment has had no impact on the group's financial statements.

IFRIC 13 Customers Loyalty Programmes
This interpretation clarified that where goods or services are sold together with a customer loyalty incentive the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components the components of the arrangement using fair values. The application of this interpretation has had no impact on the group's financial statements.

IFRIC 15 Agreements for the Construction of Real Estate
This interpretation standardised accounting practice across jurisdictions for the recognition of revenue by real estate developers for the sale of units before construction is complete. The application of this amendment has had no impact on the group's financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
This interpretation clarified that a parent entity may designate a hedged risk in relation to foreign exchange differences between functional currencies; that hedging instruments may be held by any entity within the group and that IAS 21 must be applied in respect of a hedged item. The application of this interpretation has had no impact on the group's financial statements.

AC 503 Accounting for Black Economic Empowerment Transactions
This revised standard, issued by the South African Accounting Practices Committee, arose in light of the amendments to IFRS 2. The standard has been revised to take into account the amended definition of vesting conditions and the accounting treatment of non-vesting conditions. The application of this revised standard has had no impact on the group's financial statements.

Basis of preparation
The financial statements have been prepared on the going concern basis on the historical cost basis except for available-for-sale investments, which are measured at fair value, and derivative financial instruments, which are classified as fair value through profit and loss. The consolidated and separate annual financial statements are expressed in South African rands (ZAR).

Statement of compliance
The consolidated financial statements are prepared in compliance with both IFRS and interpretations of those standards as adopted by the International Accounting Standards Board and the Companies Act in South Africa.

Consolidation
The group annual financial statements include those of the company, its subsidiaries and the employee share trust. The company carries its investment in subsidiaries at cost less accumulated impairment losses.

Investment in subsidiary
Subsidiaries are all entities (including special-purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more that one half of the voting rights. The eixistence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Previously held identifiable assets and liabilities of the acquired entity are revalued to their fair value of date of acquisition being the date at which the group achieves control of the acquiree. The movement in fair value is taken to the revaluation reserve.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The group applies a policy of treating transactions with non-controlling interest holders as transactions with parties external to the group. Disposals to non-controlling interest holders result in gains and losses for the group and are recorded in profit or loss. Purchases from non-controlling interest holders result in goodwill.

Investment in associate
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note on "impairment of non-financial assets" for the impairment of non-financial assets including goodwill.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the HomeChoice Holdings Limited board of directors.
The group is primarily a retailer of household goods and provider of loans and other financial services, with significant business interests in property and transportation. The group's reportable segments have been identified as follows:

Retail: HomeChoice is the catalogue retail company of the group providing an exclusive range of household goods to the urban market.
Financial services: FinChoice provides personal loans with terms ranging between 6 and 24 months.
Property: The group holds land and buildings which are used by HomeChoice and FinChoice (refer to note 1).
Other: Aggregated under other is the group's treasury function and the results of an encommandite partnership. The treasury function manages the group's investments of cash and cash equivalents and available-for-sale investments. The group has a majority interest in encommandite partnership providing passenger transportation by air.

The board monitors the operating results of the business segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. The board primarily assesses the performance of the operating segments based upon a measure of operating profit.

Intersegment pricing is determined on an arm's length basis in a manner similar to transactions with third parties, with the exception of certain intergroup loans, as disclosed in note 12 to the company annual financial statements.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date. The cost of an asset comprises any costs incurred in bringing the asset to the location and condition necessary for it to operate as intended by management.

Property, plant and equipment are subsequently stated at cost, less accumulated depreciation and accumulated impairment in value. Freehold land is stated at cost less any accumulated impairment in value and is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred.

Depreciation commences when the assets are available for their intended use. Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the various classes of assets, after taking into account residual values.

Useful lives of property, plant and equipment, the depreciation method, depreciation rates, and residual values are reviewed on an annual basis.

The annual rates applied for depreciation are as follows:

Furniture and fittings	16,7% – 27,3%
Office equipment	20,0%
Computer equipment	12,5% – 50,0%
Motor vehicles	20,0% – 25,0%
Plant and machinery	20,0%
Aircraft	20,0%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

Buildings are not depreciated as their residual value exceeds cost.

Improvements to leasehold property are capitalised and depreciated over the period of the relevant lease agreements if there is no reasonable certainty that the lessee will obtain ownership of the asset at the end of the lease term.

Intangible assets

Intangible assets are initially recognised at cost if acquired separately, or at fair value if acquired as part of a business combination. The useful lives of intangible assets are assessed to be either finite or indefinite. If assessed as having an indefinite useful life, the intangible asset is not amortised but tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, it is amortised over its useful economic lives using a straight-line basis and tested for impairment if there is an indication that it may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets include development costs, computer software, mailing lists and trademarks. All of the group's intangible assets are assessed as having finite useful lives. The annual amortisation rates applied are as follows:

Development costs	10%
Software	33,3%
Mailing lists and trademarks	33,3%

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

At each reporting date the group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with the impairment loss being recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit or loss.

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Inventory

Inventory is valued at the lower of cost, determined on the first-in first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and cost necessary to make the sale.

Taxation

The income tax expense is determined based on taxable income for the year and includes deferred tax, secondary tax on companies (STC) and capital gains tax.

Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Management periodically evaluates positions taken in tax returns with respect to situations in which tax regulation is subject to interpretation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred taxation is recognised using the liability method on temporary differences at the balance sheet date between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred taxation assets are recognised to the extent that it is probable that the related taxation benefit will be realised in the foreseeable future against future taxable profit. Deferred taxation is calculated using the taxation rates that have been enacted at the balance sheet date that are expected to apply when the asset is realised or the liability settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all to be utilised, the carrying value of the deferred tax asset is reduced.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Secondary tax on companies

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax (STC), on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in profit or loss in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during the cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits.

Customer returns

Based on the historical returns experience, provision is made for estimated customer returns for goods despatched prior to the end of each financial year but subsequently returned by the customer and received after the end of the financial year.

Foreign currency transactions

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in South African rands (ZAR), which is the company's functional and the group's presentation currency. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income except when deferred in equity as qualifying cash flow hedges. Non-monetary items designated in foreign currency are translated at the spot rate at the date of the transaction.

Financial instruments

Financial instruments recognised on the statement of financial position include cash and cash equivalents, trade and other receivables, loans, available-for-sale investments, borrowings and trade and other payables. Financial instruments are initially measured at fair value, including transaction costs, when the group becomes a party to the contractual arrangements. However, transaction costs in respect of financial assets classified as fair value through profit and loss are expensed. Trade date accounting for 'regular way' purchases or sale of financial assets has been adopted. The trade date is the date that the group commits to purchase or sell an asset. A 'regular way' contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the marketplace. Subsequent to initial recognition, these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. The amount of the allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The amount of any impairments, recoveries and the movement in the allowance is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents, consisting of cash on hand, cash in banks, short-term deposits and bank overdrafts, are subsequently measured at amortised cost.

Derivative financial instruments

The group uses derivative financial instruments such as forward currency contracts to economically hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Derivatives are categorised as held for trading at fair value through profit or loss, unless they are designated as hedges.

Trade and other payables

Liabilities for trade and other payables are classified as financial liabilities and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised as well as through the amortisation process.

Borrowings

Borrowings are classified as other financial liabilities and are subsequently measured at amortised cost using the effective interest rates. Gains and losses are recognised in profit or loss when liabilities are derecognised as well as through the amortisation process.

Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-to-maturity, loans and receivables or fair value through profit or loss. Investments include preference shares, which are classified as available-for-sale financial assets. The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using recent arm's length market transactions. Gains and losses are recognised directly as a revaluation reserve in other comprehensive income until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in profit or loss.

Loans to employees

Loans are classified as loans and receivables. Loans with maturity repayment terms are measured at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit and loss when the assets are derecognised or impaired, as well as through the amortisation process. When applying the effective interest method, any fees, points paid or received, transaction costs and other premiums or discounts included in the calculation of the effective interest rate have been amortised over the expected life of the instrument. If the estimates of payments or receipts have been revised, the carrying amount of the financial asset or financial liability shall be adjusted to reflect the actual and revised estimated cash flows. The carrying amount will be recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised as income or expense in profit or loss.

Fair value

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a current legally enforceable right to set off recognised amounts and there is an intention on a net basis to realise the assets and settle the liabilities on a net basis.

Derecognition of financial assets and liabilities
Financial assets
A financial asset is derecognised where the contractual rights to receive cash flows from the asset have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

Financial liabilities
A financial liability is derecognised when the relevant obligation has either been discharged or cancelled or has expired.

Impairment of financial assets
The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred and reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced by the allowance for impairment. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets
Equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in other comprehensive income, and not through profit or loss.

Share capital
Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution
Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which dividends are approved by the company's shareholders.

Retirement benefits
The group's contribution to the provident fund is charged against profits as incurred.

Suspensive sale transactions
Finance charges payable on suspensive sale transactions, for the purchase of property, plant and equipment, are accounted for over the period of the agreements using the effective interest rate method and are included with interest paid.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense when incurred.

Revenue recognition
Revenue is recognised at the fair value of the consideration received net of discounts and related taxes and consists primarily of the retail income from the sale of goods, finance charges earned, fees from ancillary services and dividends received.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be measured reliably. The following specific criteria must also be met before revenue is recognised:

Retail income from the sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Finance charges and interest
Finance charges and interest income are recognised on the time proportionate basis using the effective interest rate implicit in the instrument.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the group estimates cash flows and includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees from ancillary services
Fees from ancillary services include revenue earned for the origination and administration of transactions with customers as well as fees charged for the delivery of goods.

Origination fees are charged upfront and are capitalised on initiation of a loan or credit sale. In accordance with IAS 18 Revenue, these origination fees are considered an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale, using the effective interest rate. Trade receivables are reduced by the deferred portion of these fees. The group does not defer any related operating costs, as these are all internal costs which are not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs.

Monthly administration fees are recognised in profit or loss as they are charged to the customer.

Delivery fees are recognised as income at the date that goods are delivered to customers.

Dividend income
Dividend income on equity instruments is recognised when the right to receive payment is established.

Treasury shares
Shares in HomeChoice Holdings Limited held by a share trust are classified as treasury shares. Treasury shares are treated as a deduction from equity and the cost price of these shares is deducted in arriving at group equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments.

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost. For further details on the nature of provisions raised within the group refer to page 40.

Leases
Leases are classified as operating leases, where substantially all the risks and rewards associated with ownership of the asset are not transferred from the lessor to the lessee. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. The resulting difference arising from straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset. Contingent rental income and expenses are recognised when accrued or incurred.

Where the group leases assets and substantially assumes all the risks and rewards of ownership the lease is classified as a finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Comparative figures
Comparative figures have been reclassified where necessary to afford a proper and more meaningful comparison of results. A summary of reclassifications is provided in note 26.

IFRS and IFRIC interpretations not yet effective
In the current year the group has not applied the following IFRS and IFRIC interpretations that have been issued but are not yet effective. They will be adopted by no later than their effective dates.

Annual Improvements to IFRS (2009)
During the year the IFRS Committee approved various minor amendments to existing IFRS. The application of these minor amendments will not have a material impact on the financial performance or position of this group, but will impact on certain disclosures in the financial statements. These amendments become effective for annual periods beginning on or after 1 July 2009 or 1 January 2010.

The standards that have been impacted by the 2009 Annual Improvements Project are listed below:

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows: amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements
- IAS 17 Leases
- IAS 18 Revenue
- IAS 31 Interests in Joint Ventures: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRS 1 First-time Adoption of International Financial Reporting Standards
This amendment exempts first-time adopters from retrospective application of IFRSs for oil and gas assets and provides guidance for determining whether an arrangement contains a lease. This amendment becomes effective for periods beginning on or after 1 January 2010, but currently does not apply to the activities of this group.

IFRS 1 First-time Adoption of International Financial Reporting Standards
This amendment exempts first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 relating to improved IFRS 7 disclosures. This amendment becomes effective for annual periods beginning on or after

1 July 2010, but currently does not apply to the activities of this group.

IFRS 2 Share-based Payment
This amendment clarifies how an individual subsidiary in a group should account for certain cash-settled share-based payment arrangements in its own financial statements. This amendment becomes effective for annual periods beginning on or after 1 January 2010, but will not have a material impact on this group.

IFRS 3 Business Combinations
This revised standard requires amendments to the scope of the standard as well as changes to the treatment of certain transactions within a business combination. The scope changes to include mutual entities and combinations without consideration and excludes entities under common control. Changes to the treatment of transactions included the treatment of costs of issuing debt or equity instruments, contingent consideration changes, goodwill and non-controlling interests, partial disposals and accounting for pre-existing relationships. This revised standard is effective for periods beginning on or after 1 July 2009, but will not have a material impact on the group

IFRS 9 Financial Instruments – Classification and Measurement
This new standard covers the classification and measurement of financial assets and aims to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity. The standard is intended to ultimately replace IAS 39 and becomes effective for annual periods beginning on or after 1 January 2013.

IAS 24 Related Party Disclosures
This revision provides a partial exemption from disclosure requirements for government-related entities and clarifies that the disclosure of commitments of a related party is required. This revised standard becomes effective for annual periods beginning on or after 1 January 2011, but will not have a material impact for this group.

IAS 27 Consolidated and Separate Financial Statements – Amendments arising from IFRS 3
This revised standard arises from revisions made to IFRS 3 Business Combinations, in which the treatment of certain transactions within a business combination has changed. This revised standard is effective for periods beginning on or after 1 July 2009, but will not have a material impact on the group.

IAS 32 Financial Instruments: Presentation
This amendment clarifies that if a rights issue, denominated in a foreign currency, is issued pro rata to all the entity's existing shareholders, they should be classified as equity regardless of the currency in which the exercise price is denominated. This amendment becomes effective for periods beginning on or after 1 February 2010, but currently does not apply to the activities on this group.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged items
This amendment clarified the treatment of inflation in a financial hedged item and clarifies the value that should be assigned to a one-sided risk in a hedged item. The application of this amendment has had no impact on the group's financial statements. This amendment is effective for periods beginning on or after 1 July 2009, but currently does not apply to the activities of the group.

IFRIC 14 Prepayments of a Minimum Funding Requirement
This amendment corrects a previous, unintended error in the interpretation by now permitting entities to recognise as assets certain voluntary prepayments for minimum funding contributions. This amendment becomes effective for periods beginning on or after 1 January 2011, but currently does not apply to the activities of this group.

IFRIC 17 Distributions of Non-cash Assets to Owners
This interpretation clarified the recognition, measurement and disclosure requirements when an entity distributes non-cash assets to its owners. The application of this interpretation has had no impact on the group's financial statements. This amendment is effective for periods beginning on or after 1 July 2009, but currently does not apply to the activities of the group.

IFRIC 18 Transfer of Assets from Customers
This interpretation applies to the accounting for transfers of items of property, plant and equipment by the entity that receives items of property, plant and equipment from its customers and must use the property, plant and equipment to either connect its customers to a network or to provide the customer with the ongoing access to a supply of goods or services or both. The application of this interpretation has had no impact on the group's financial statements. This amendment is effective for periods beginning on or after 1 July 2009, but currently does not apply to the activities of the group.

AC 504 Pension Asset Ceiling
This interpretation, issued by the South African Accounting Practices Committee, provides guidance on the application of IFRIC 14 in South Africa in relation to defined-benefit pension obligations. This interpretation is effective for periods beginning on or after 1 April 2009, but currently does not apply to the activities of the group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
This new interpretation clarifies the treatment required when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. This new interpretation becomes effective for periods beginning on or after 1 July 2011, but currently does not apply to the activities of this group.

Significant accounting judgements, estimates and assumptions

The preparation of the group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying of the asset or liability affected in the future.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Bonus provision

The bonus provision is based on a financial model which takes the following into account: whether the company achieved its financial targets, individual staff performance during the year and the remuneration committee's final discretion. Bonus provisions due at year-end are paid out annually in March.

Depreciation of property, plant and equipment

The Group assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where the Group determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Group's financial statements when the change in estimate is determined.

Trade accounts receivable

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The estimated future cash flow is based on prior debtors book yields and average instalment terms. The prior year debtors book yields have been adjusted to take into account the current economic conditions. As these conditions are uncertain, management has been cautious in assessing the ability of customers to make their required payments.

Customer returns provision

Based on the historical returns experience, provision is made for estimated customer returns for goods despatched prior to the end of each financial year but subsequently returned by the customer and received after the end of the financial year. As at 31 December 2009, provisions for customer returns amounted to R8,887 million (2008: R5,369 million).

Stock obsolescence provision

Stock items are reviewed on a line-by-line basis by merchandise planners and the merchandise director. Slow-moving items expected to realise less than cost have a provision raised for the difference between expected selling price less selling cost and original cost.

Impairment of available-for-sale equity investments

The group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee.

1. Property, plant and equipment

	Land and buildings R000	Computer equipment R000	Equipment, furniture, fittings and plant R000	Motor vehicles R000	Aircraft R000	Total R000
Cost						
Balance at 31 December 2007	37 225	11 539	6 388	4 040	–	59 192
Additions	62 740	5 021	7 079	887	–	75 727
Disposals	–	(1 506)	(1 469)	(1 050)	–	(4 025)
Balance at 31 December 2008	99 965	15 054	11 998	3 877	–	130 894
Transferred to intangible assets	**–**	**(4 518)**	**–**	**–**	**–**	**(4 518)**
Additions	**7 699**	**2 598**	**2 234**	**–**	**–**	**12 531**
Additions through business combinations	**–**	**–**	**–**	**–**	**49 337**	**49 337**
Disposals	**–**	**(1 881)**	**(1 089)**	**(1 298)**	**–**	**(4 268)**
Reclassification of property to held-for-sale	**(963)**	**–**	**–**	**–**	**–**	**(963)**
Balance at 31 December 2009	**106 701**	**11 253**	**13 143**	**2 579**	**49 337**	**183 013**
Accumulated depreciation						
Balance at 31 December 2007	–	5 878	4 055	1 573	–	11 506
Depreciation for the year	–	2 307	932	258	–	3 497
Disposals	–	(1 291)	(1 420)	(475)	–	(3 186)
Balance at 31 December 2008	–	6 894	3 567	1 356	–	11 817
Transferred to intangible assets	**–**	**(2 563)**	**–**	**–**	**–**	**(2 563)**
Depreciation for the year	**1 135**	**3 154**	**2 163**	**318**	**1 586**	**8 356**
Disposals	**–**	**(1 850)**	**(994)**	**(463)**	**–**	**(3 307)**
Balance at 31 December 2009	**1 135**	**5 635**	**4 736**	**1 211**	**1 586**	**14 303**
Book value at 31 December 2008	99 965	10 752	5 839	2 521	–	119 077
Book value at 31 December 2009	**105 566**	**5 618**	**8 407**	**1 368**	**47 751**	**168 710**

The net book value of property, plant and equipment subject to suspensive sale agreements (see note 14) at 31 December 2009 was R53,437 million (2008: R1,385 million), and includes the aircraft, and certain motor vehicles, computer equipment and office equipment.

Land and buildings include a book value of R100,676 million currently encumbered as shown in note 14.

Included in disposals are equipment, furniture and fittings and plant with a cost of R1,089 million (2008: R0,696 million) and accumulated depreciation of R0,994 million (2008: R0,696 million), and computer equipment with a cost of R1,888 million (2008: RNil) and accumulated depreciation of R1,844 million (2008: RNil), which had no further economic value and have been removed from the asset register.

Land and buildings comprise:

- Vacant industrial-site land, being remainder of portion 240 of the farm Wimbledon 454 situated in the City of Cape Town and measuring 3,3136 hectares (acquired in 2005); and
- Land and buildings, being remainder erf 66592 Cape Town at Wynberg situated in the City of Cape Town, in extent of 2 858 square metres (acquired in 2007).

Refer to note 6 for the disclosure of property, plant and equipment held for sale at the end of 31 December 2009.

Land and buildings are recorded at cost. At 31 December 2009, had the land and buildings been carried at fair value, their carrying amount would have been approximately R140,710 million (2008: R141,910 million).

A directors' valuation was obtained for the land and buildings as at the end of 31 December 2009. This was done by reference to market evidence of recent transactions for similar properties.

The additions for prior year were restated to reflect an increase of R2,174 million in office equipment and a R0,418 increase in furniture and fittings, with a corresponding decrease of R2,592 million in computer equipment. There was no impact on profit or loss or the closing balance of property, plant and equipment.

	2009 R000	2008 R000
2. Intangible assets		
Computer software		
Cost	–	–
Transferred from property, plant and equipment	4 518	–
Additions	5 988	–
Balance at 31 December	10 506	–
Accumulated amortisation transferred from property, plant and equipment	2 563	–
Amortisation for the year	791	–
Balance at 31 December	3 354	–
Book value at 31 December	7 152	–

Computer software was previously included in property, plant and equipment.

3. Loans to employees

	2009 R000	2008 R000
Loans to employees	8 848	6 790

As part of the Employee Share Incentive Scheme, loans have been provided to certain employees within the HomeChoice group to enable them to acquire shares in HomeChoice Holdings Limited at market value.

The loans are interest-free and repayable within 5 years of the acquisition date. The employees' shares are pledged to and held by the Trustees of the HomeChoice Share Trust.

The amortised cost adjustment is based on and effective interest rate of 11% (2008: 13.5%).

Movement in carrying value of the loans were as follows:

	2009 R000	2008 R000
Opening balance	6 790	–
Loans issued during the year	4 266	11 981
Loans repaid	(2 501)	–
Amortised cost adjustment	(790)	(5 620)
Notional interest recognised during the year	1 083	429
Closing balance	8 848	6 790
Loans to key management personnel	8 171	6 370

4. Investment in associate

The group previously held a 49,5% interest in an en commandite partnership, involved in the transportation of passengers by air for fare.

During the current year, the group acquired a further 25,75% interest in the partnership and obtained control. Accordingly the interest held has been accounted for as a subsidiary with effect from 27 February 2009. For further details of the acquisition refer to note 24.

	2009 R000	2008 R000
Share of the associate's statement of financial position:		
Non-current assets	–	20 370
Current assets	–	69
Non-current liabilities	–	(14 460)
Current liabilities	–	(1 641)
	–	4 338
Share of associate's revenue and profit and loss:		
Revenue	**216**	1 233
Loss	**(739)**	(3 150)
Carrying amount of the investment	–	7 957

5. Deferred tax

	2009 R000	2008 R000
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets	**(4 963)**	(2 786)
Deferred tax liabilities	**25 084**	15 277
Deferred tax liabilities (net)	**20 121**	12 491
The gross movement on the deferred income tax account is as follows:		
At 1 January	**(12 491)**	(15 772)
Acquisition of subsidiary	**(2 378)**	–
Profit or loss (charge)/credit	**(4 993)**	4 383
Tax charge relating to components of other comprehensive income	**(259)**	(1 102)
At 31 December	**(20 121)**	(12 491)

5. Deferred tax (continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation R000	Revaluation of assets R000	Debtors allowances R000	Other R000	Total R000
At 1 January 2008	1 664	–	33 574	–	35 238
Charged to profit or loss	2 162	–	5 557	–	7 719
At 31 December 2008	3 826	–	39 131	–	42 957
Charged to profit or loss	**862**	**–**	**13 402**	**–**	**14 264**
Charged to other comprehensive income	**–**	**–**	**–**	**259**	**259**
Acquisition of subsidiary	**–**	**2 378**	**–**	**–**	**2 378**
At 31 December 2009	**4 688**	**2 378**	**52 533**	**259**	**59 858**

Deferred tax assets	Debtors provisions R000	Assessed loss R000	Secondary tax on companies credit R000	Other R000	Total R000
At 1 January 2008	(10 786)	(2 052)	(1 211)	(5 417)	(19 466)
(Credited)/charged to profit or loss	(15 565)	255	286	2 922	(12 102)
Charged to other comprehensive income	–	–	–	1 102	1 102
At 31 December 2008	(26 351)	(1 797)	(925)	(1 393)	(30 466)
(Credited)/charged to profit or loss	**(6 947)**	**49**	**584**	**(2 957)**	**(9 271)**
At 31 December 2009	**(33 298)**	**(1 748)**	**(341)**	**(4 350)**	**(39 737)**

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

	2009 R000	2008 R000
6. Non-current assets held for sale		
Land and buildings held for sale	**963**	–

A signed offer to purchase land and buildings, being erf 58080 Cape Town at Claremont situated in the City of Cape Town, in extent of 159 square metres (acquired in 2006) for R1,100 million was accepted on 25 November 2009. As of the date of this report the transaction is awaiting transfer and has not concluded.

	2009 R000	2008 R000
7. Available-for-sale investments		
Listed preference shares at market value	**45 192**	43 346

	Quantity	Quantity
Listed preference shares		
FirstRand Limited	**126 400**	126 400
Investec Bank Limited	**117 000**	117 000
Nedcor Limited	**1 088 900**	1 088 900
Standard Bank Limited	**117 300**	117 300

The fair value of the quoted preference shares is determined by reference to bid price quotations in an active market and changes in fair value posted to a revaluation reserve.

During the prior year, management determined that the available-for-sale investments were impaired. The assessment was based upon a prolonged decline, in excess of 24 months, in the fair value of the investments. An impairment loss of R10,500 million was recognised through profit or loss during the prior year. No impairment was made during the current year.

The unrealised gain on the movement in fair value during the year is recognised directly as a revaluation reserve in other comprehensive income.

The investments were pledged as security for the general banking facilities within the group during 2008. The pledge was removed during the current year and there were no restrictions on the investments at 31 December 2009.

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

8. Inventories

	2009 R000	2008 R000
Merchandise for resale	**21 779**	33 000
Goods in transit	**16 007**	12 669
	37 786	45 669

The carrying amount of inventories written down to net realisable value is R6,805 million (2008: R5,161 million). Stock sold at less than cost during the current year was R2,438 million (R0,397 million). The provision for obsolete stock is R4,384 million (2008: R4,003 million). There was no reversal of any provisions for writedown of inventory in the year (2008: RNil).

	2009 R000	2008 R000
9. Trade and other receivables		
Trade receivables	**316 622**	282 442
Loans receivable	**134 686**	66 868
Provision for impairment on trade receivables	**(59 803)**	(68 979)
Provision for impairment on loans receivable	**(15 123)**	(9 135)
	376 382	271 196
Other receivables	**3 669**	6 412
	380 051	277 608
Movements in the provision for impairment of trade receivables were as follows:		
Opening balance	**(68 979)**	(25 304)
Debts provided for during the year	**(65 944)**	(101 303)
Debts written off during the year, net of recoveries	**75 120**	57 628
Closing balance	**(59 803)**	(68 979)
Movements in the provision for impairment of loans receivable were as follows:		
Opening balance	**(9 135)**	(3 730)
Debts provided for during the year	**(21 293)**	(14 302)
Debts written off during the year, net of recoveries	**15 305**	8 897
Closing balance	**(15 123)**	(9 135)

Refer to significant accounting judgements, estimates and assumptions for the calculation of the impairment of debtors. A percentage of all trade and loans receivables balances past due has been provided for in terms of this calculation and therefore at 31 December all trade and loans receivable past due had been impaired.

Trade receivables and loans receivable have repayment terms of 6, 12, 16, 18 or 24 months and attract interest based on rates as determined by the National Credit Act.

Included in trade and loans receivable are amounts approximating R33,132 million (2008: R21,600 million) that contractually fall due in excess of one year.

The provision for impairment of trade receivables for the prior year was restated to reflect R14,972 million of bad debts reclassified as written off during prior periods. There was no impact on profit or loss or the closing balance of trade and other receivables.

	2009 R000	2008 R000
10. Cash and cash equivalents		
Cash at bank	**19 505**	8 011
Money-market investments	**36 386**	49 074
	55 891	57 085
Bank overdraft	**–**	63 460

The bank overdraft incurred interest at prime less 1,5%.

Cash at bank earns interest based on daily bank deposit rates. Money-market investments are made depending on the cash requirements, and earn interest at the respective investment rates.

	2009 R000	2008 R000
11. Share capital		
Authorised		
200 000 000 (2008: 200 000 000) ordinary shares of 1 cent each	**2 000**	2 000
Issued		
103 869 000 (2008: 103 869 000) ordinary shares of 1 cent each	**1 039**	1 039

	Number of shares 000	Number of shares 000
Reconciliation of movement in issued shares		
Number of issued shares	**103 869**	103 869
Treasury shares held by share trust	**(3 390)**	(4 260)
Adjusted issued shares at end of year	**100 479**	99 609
Shares held by share trust as a percentage of the issued shares at end of year	**3,4%**	4,3%

	2009 R000	2008 R000
12. Share premium		
Balance at beginning of year	**146 275**	156 662
Share premium reduction	**(7 271)**	(10 387)
Balance at end of year	**139 004**	146 275
13. Treasury shares		
Balance at beginning of year	**(7 223)**	(13 288)
Share premium reduction	**218**	749
Purchased during the year	**(1 160)**	–
Sold during the year	**1 960**	5 316
Balance at end of year	**(6 205)**	(7 223)

	2009 R000	2008 R000
14. Interest-bearing liabilities		
Long-term portion		
Suspensive sale agreements	**30 085**	162
FirstRand Bank Limited	**7 509**	–
RMB Private Bank	**47 699**	–
Total non-current interest-bearing liabilities	**85 293**	162
Short-term portion payable within one year		
Suspensive sale agreements	**3 614**	535
FirstRand Bank Limited	**488**	–
RMB Private Bank	**3 356**	–
Total current interest bearing-liabilities	**7 458**	535
Total interest-bearing liabilities	**92 751**	697

The suspensive sale agreements are repayable in monthly instalments of R0,171 million (2008: R0,057 million) and quarterly instalments of R1,095 million (2008: Rnil) respectively including interest and capital. Interest rates are linked to the prime overdraft rate and varied between 9% and 10,5% (2008: between 13,50% and 13,55%) during the year.

There were no breaches in payments during the year. The suspensive sale agreements are secured over various items of property, plant and equipment as indicated in note 1.

The FirstRand Bank Limited facility is secured by a general covering bond over Portion 240 of Farm Number 454, bears interest at prime and is repayable in 10 years.

The RMB Private Bank facility is secured by a general covering bond over the remaining extent of Erf 66592 Cape Town, bears interest at prime less 0,5% and is repayable in 10 years.

	2009 R000	2008 R000
15. Trade and other payables		
Non-current trade and other payables		
15.1 Other payables	**3 390**	–
Amounts owed to prize winners payable in excess of 12 months. This was included under current liabilities in the prior year.		
Current trade and other payables		
15.2 Trade and other payables		
Trade accounts payable	**35 402**	26 551
Annual leave pay accrual	**2 466**	2 451
Lease liability	**35**	81
Other accounts payable	**7 989**	12 198
	45 892	41 281
15.3 Provision for bonuses		
Balance at beginning of year	**700**	6 894
Utilised	**(600)**	(6 894)
Raised	**11 100**	700
Balance at end of year	**11 200**	700

Bonus provision

The provision total comprises provisions for bonuses payable in March. The bonus provision is based on a financial model that takes into account whether the company achieved its financial targets, individual staff performance during the year and the remuneration committee's final discretion.

	2009 R000	2008 R000
16. Loan from non-controlling interest holder		
Non-controlling interest holder	**7 184**	–
The loan is unsecured, interest free and repayable on demand.		
17 Revenue and operating profit		
17.1 Revenue		
Retail sales	**363 555**	332 567
Finance charges earned	**174 054**	139 027
Fees from ancillary services	**108 859**	80 221
Dividends received	**4 684**	5 166
	651 152	556 981
17.2 Operating profit		
The operating profit includes the following items:		
Auditor's remuneration	**972**	933
– Current year	**909**	919
– Other services	**63**	14
Amortisation – Intangible assets	**791**	–
Contributions to provident fund	**7 382**	6 607
Consulting fees paid to non-employees	**2 328**	3 861
Debtor costs	**87 238**	115 605
Depreciation – Property, plant and equipment	**8 356**	3 498
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**(57)**	–
Foreign exchange gain	**(350)**	(220)
Loss on disposal of property, plant and equipment	**271**	324
Operating lease charges – immovable property	**5 552**	8 005
Sublease payments	**–**	(54)
Staff costs	**89 710**	70 566
Loans to employees – amortised cost adjustment	**790**	5 620

18. Income tax

		2009 R000	2008 R000
Income statement			
SA normal tax	– current year	**(31 520)**	(24 593)
Deferred tax	– current year	**(4 993)**	3 759
	– prior years	**–**	624
		(36 513)	(20 210)

	2009	2008
Reconciliation of tax rate	**%**	%
Standard tax rate	**28,0**	28,0
Lower tax rate – capital gains tax (CGT)	**(0,4)**	(1,5)
CGT not raised	**–**	4,7
Disallowable expenditure	**0,2**	3,3
Exempt income	**(1,4)**	(1,9)
Secondary taxation on companies (STC)	**0,4**	0,4
Rate change	**–**	(1,0)
Effective tax rate	**26,8**	32,0

If the total distributable reserves of the group of R388,245 million (2008: R296,918 million) were to be declared as dividends, the secondary tax impact at a rate of 10% (2008: 10%) would be R38,825 million (2008: R29,692 million). These amounts should be considered taking into account the proposal by the South African Government to replace STC with a dividend tax on shareholders commencing in the next financial year.

19. Capital commitments

	2009 R000	2008 R000
Capital commitments for property plant and equipment		
Approved by directors	**582**	595
Approved by directors and contracted for	**–**	–
	582	595

20. Borrowing powers

The borrowing powers of the group are not limited in terms of the articles of association of the companies.

21. Retirement benefits

HomeChoice provides retirement benefits for its permanent employees through the HomeChoice Provident Fund, a defined-contribution plan. The fund is registered under and governed by the Pension Funds Act, 1956, as amended. The latest valuation, which is performed every three years, of the HomeChoice Provident Fund as at 31 December 2008 confirmed that the fund was in a sound financial position. The company contribution to the provident fund during the year is disclosed in note 17.1.

22. Commitments

Leases are contracted for periods not exceeding five years and contain renewal options. At 31 December the future minimum operating lease commitments amounted to the following:

	2009 R000	2008 R000
Properties		
Payable within one year	**1 253**	5 340
Payable between two and five years	**745**	508
Payable after five years	**–**	–

23. Risk management

23.1 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents disclosed in note 10, and equity attributable to equity holders, comprising issued share capital, share premium, revaluation reserves, distributable reserves less treasury shares, as disclosed in the statement of changes in equity.

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the group to fund the group's capital requirements.

The directors also consider the cost of capital and the risks associated with each class of capital.

From time to time the group repurchases its own shares or reduces share premium. The timing of these repurchases or share premium reductions depends on the availability of shares to be repurchased and available funding. The decision to repurchase shares or reduce share premium is made on a specific transaction basis. The group does not have a defined share buy-back plan.

During the current year the share premium was reduced by 7 cents (2008: 10 cents) per share.

There were no changes in the group's approach to capital maintenance during the year. Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

23.2 Financial risk management

The board of HomeChoice Holdings Limited is responsible for the financial risk management of the group and is assisted by the directors of the subsidiary companies.

The group's activities expose it to a variety of financial risks arising from the use of financial instruments, including credit risk, liquidity risk and market risk.

In assessing risk the group classifies financial assets and liabilities as follows:

Assets	Note	Loans and receivables R000	Available-for-sale investments R000	Non-financial assets R000	Total R000
2009					
Non-current assets					
Loan to employees	3	**8 848**	**–**	**–**	**8 848**
Current assets					
Available-for-sale investments	7	**–**	**45 192**	**–**	**45 192**
Trade and loan receivables	9	**376 382**	**–**	**–**	**376 382**
Other receivables	9	**2 530**	**–**	**1 139**	**3 669**
Money-market investments	10	**36 386**	**–**	**–**	**36 386**
Cash and cash equivalents	10	**19 505**	**–**	**–**	**19 505**
Total		**443 651**	**45 192**	**1 139**	**489 982**
Guarantees		**–**			
Maximum exposure to credit risk		**443 651**			
2008					
Non-current assets					
Loan to employees	3	6 790	–	–	6 790
Current assets					
Available-for-sale investments	7	–	43 346	–	43 346
Trade and loan receivables	9	271 196	–	–	271 196
Other receivables	9	2 465	–	3 947	6 412
Money-market investments	10	49 074	–	–	49 074
Cash and cash equivalents	10	8 011	–	–	8 011
Total		337 536	43 346	3 947	384 829
Guarantees		–			
Maximum exposure to credit risk		337 536			

23. Risk management (continued)

23.2 Financial risk management (continued)

Liabilities	Note	At amortised cost R000	Non–financial liabilities R000	Total R000
2009				
Non-current payables				
Other payables	15	**3 390**	**–**	**3 390**
Current payables				
Trade payables	15	**38 568**	**–**	**38 568**
Other payables	15	**7 020**	**304**	**7 324**
Borrowings from bank	14	**59 052**	**–**	**59 052**
Suspensive sale agreements	14	**33 699**	**–**	**33 699**
Total		**141 729**	**304**	**142 033**
2008				
Current payables				
Trade payables	15	26 551	–	26 551
Other payables	15	12 101	2 629	14 730
Bank overdraft	10	63 460	–	63 460
Suspensive sale agreements	14	697	–	697
Total		102 809	2 629	105 438

23.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Potential concentrations of credit risk consist principally of trade and loan receivables and short-term cash deposits. The group's maximum exposure to credit risk at year-end in respect of financial assets is shown in note 23.2.

The group did not consider there to be any significant credit risk exposure which had not been adequately provided for.

23.3.1 Trade and loans receivable

Trade and loans receivable comprise a large, widespread customer base and ongoing credit evaluations are performed. The granting of credit is controlled by bureau, application and behavioural models and the assumptions therein are reviewed and updated on a regular basis. Methods used to grant credit to customers comply with the requirements of the National Credit Act.

Trade and loan receivables have repayment terms of from 6 to 24 months and attract interest based on rates determined by the National Credit Act, or the Usary Act, for contracts entered into prior to June 2007.

A provision for impairment is raised when there is objective evidence that the business will not be able to collect all amounts due according to the original terms of the receivable. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. Accordingly a percentage of all trade and loans receivable is provided for and at 31 December all trade and loans receivable past due had been impaired.

The group manages the ageing of HomeChoice trade receivables on a contractual basis. Write-off of accounts are subject to a 90 day recency.

The ageing of trade receivables at 31 December was:	**2009**	2008
Current or past due less than 30 days	**75,6%**	69,2%
Past due 31-60 days	**10,0%**	13,2%
Past due 61-90 days	**5,1%**	5,9%
Past due more than 91 days	**9,4%**	11,7%
	100,0%	100,0%

23. Risk management (continued)

23.3.1 Trade and loans receivable (continued)

The group manages the ageing of FinChoice loans receivable on a recency basis.

The ageing of loans receivable at 31 December was:	**2009**	2008
Current	**88,6%**	82,0%
Not paid 1-30 days	**5,1%**	7,4%
Not paid 31-60 days	**2,2%**	3,5%
Not paid more than 61 days	**4,1%**	7,1%
	100,0%	100,0%

23.3.2 Cash and cash equivalents

The group invests surplus cash only with F1+ and approved F1 national short-term rated financial institutions.

23.4 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group's approach to liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the group's reputation.

The table below details the group's expected maturity for its financial liabilities. The amounts are based on the undiscounted contractual maturities of the financial liabilities.

	%	R000	R000	R000	R000	R000	R000	R000
2009								
Non-interest-bearing liabilities		**–**	**–**	**–**	**–**	**1 440**	**1 950**	**3 390**
Non-current other payables								
– Trade and other payables	–	**17 386**	**26 221**	**1 577**	**770**	**–**	**–**	**45 954**
Interest-bearing liabilities								
– Borrowings from the bank	10,50	**–**	**795**	**1 591**	**7 157**	**38 172**	**59 865**	**107 580**
– Suspensive sale agreements	8,60	**–**	**187**	**1 432**	**4 737**	**32 923**	**–**	**39 279**
		17 386	**27 203**	**4 600**	**12 664**	**72 535**	**61 815**	**196 203**
2008								
Non-interest-bearing liabilities								
– Trade and other payables	–	13 119	18 855	2 748	670	1 340	1 920	38 652
Interest-bearing liabilities								
– Bank overdraft	13,50	63 460	–	–	–	–	–	63 460
– Suspensive sale agreements	13,50	–	57	105	430	164	–	756
		76 579	18 912	2 853	1 100	1 504	1 920	102 868

23. Risk management (continued)

23.4 Liquidity risk management (continued)

	2009 R000	2008 R000
The group has the following undrawn borrowing facilities available:		
General banking facilities at date of this report	**48 000**	110 000
Suspensive sale arrangements at date of this report	**8 000**	8 000
	56 000	118 000
Borrowings, guarantees and letters of credit	**(37 570)**	(88 161)
Unutilised borrowing facility	**18 430**	29 839

23.5 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of market prices. Market prices comprise three types of risk: Interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include trade receivables, loans and borrowings, cash and cash equivalents, available-for-sale investments, and derivative financial instruments.

23.5.1 Equity price risk

The available-for-sale investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The group manages the equity price risk through constant review of the share market.

At the balance sheet date, the exposure to listed preference shares at fair value was R45,192 million (2008: R43,346 million). An increase in 10% of the value of these investments would have an impact of R3,886 million (2008: R3,728 million) on other comprehensive income. A decrease of 10% on the value would have an impact of R1,590 million on other comprehensive income and R2,296 million (2008: R3,728 million) on profit or loss.

23.5.2 Foreign currency risk management

The group undertakes certain transactions in foreign currencies, hence exposure to exchange rate fluctuations arise. When deemed appropriate by the directors the group enters into forward exchange contracts to cover foreign purchases in order to assist in managing its foreign currency exposure.

The group enters into contracts to purchase inventory from Asia and enters into forward foreign exchange contracts to economically hedge the exchange rate risk arising from these transactions when deemed appropriate.

At 31 December 2009 (2008: Nil) there were no forward foreign exchange contracts outstanding.

The group measures sensitivity to foreign exchange rates as the effect of a change in the US dollar exchange rate on profit after tax based on the group's exposure at 31 December. The group regards a 15% (2008: 20%) change in exchange rates as being reasonably possible at 31 December.

The sensitivity of the group's profit after tax due to a reasonably possible change in exchange rates, with all other variables held constant, through the impact on foreign purchases is as follows:

	Movement in basis points	Effect on profit after tax R000
2009		
	+15%	**(768)**
	–15%	**768**
2008		
	+20%	(504)
	–20%	504

The group had uncovered foreign liabilities at 31 December 2009 amounting to US$4,505 million (2008: US$2,163 million).

23. Risk management (continued)

23.5 Market risk management (continued)

23.5.3 Interest rate risk management

At year-end the group's interest-bearing assets and liabilities comprised trade receivables, cash and cash equivalents, money-market investments, borrowings from the bank and suspensive sale agreements. All interest-bearing assets and liabilities are sensitive to fluctuations in interest rates, except for trade receivables, where the interest rate is fixed at the time of entering into an agreement with the customer.

The group measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on the profit after tax based on the group's exposure at 31 December. The group regards a 1% (2008: 3%) change in the Reserve Bank repo rate as being reasonably possible at 31 December 2009.

	Group	
	Movement in basis points	**Effect on profit after tax** R000
2009		
Cash and cash equivalents	**+100**	**140**
	–100	**(140)**
Money-market investments	**+100**	**262**
	–100	**(262)**
Borrowings from the bank	**+100**	**(425)**
	–100	**425**
Suspensive sale agreement	**+100**	**(243)**
	–100	**243**
2008		
Cash and cash equivalents	+300	138
	–300	(138)
Money-market investments	+300	1 060
	–300	(1 060)
Suspensive sale agreement	+300	(15)
	–300	15

23. Risk management (continued)

23.6 Fair value of financial instruments

Effective 1 January 2009, the group adopted the amendment to IFRS 7, for financial instruments that are measured in the balance sheet at fair value. The amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Level 1: Quoted prices in active markets for identical assets or liabilities
– Level 2: Inputs other than quoted prices that are observable for the asset or liability
– Level 3: Inputs for the asset or liability that are not based on observable market data

The following table presents the group's financial assets and liabilities, as at 31 December 2009, using the measurement hierarchy described above:

	Level 1	Level 2	Level 3	Total balance
Assets				
Available-for-sale investments	45 192	–	–	45 192
Total financial assets	45 192	–	–	45 192

The following methods and assumptions were used by the group in establishing fair values:

– Forward exchange contracts: Forward exchange contracts are entered into mainly to cover specific orders, and fair values are determined by reference to current forward exchange rates for contracts with similar maturity profiles. Forward rate agreements are entered into mainly as economic hedges, and fair values are determined with reference to market at 31 December.
– Equity investments: The fair values of availale-for-sale equity investments are determined with reference to the quoted market prices.

	2009 R000	2008 R000

24. Business combinations

During 2006, the group formed an en commandite partnership in which it held a 49,5% interest. The partnership is involved in transporting of passengers by air for fare. On 27 February 2009, the group acquired a further 25,75% interest and obtained control of the en commandite partnership.

The acquired business contributed revenues of R1,582 million and net losses of R4,930 million to the group for the period from 27 February 2009 to 31 December 2009.

These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment, together with the consequential tax effects.

	2009 R000	2008 R000
Purchase consideration:		
– Cash paid	**2 000**	–
Total purchase consideration	**2 000**	–

The assets and liabilities as of 27 February 2009 arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Property, plant and equipment (note 1)	**49 337**	37 126
Cash and cash equivalents	**154**	116
Trade and other receivables	**815**	613
Borrowings – intergroup	**(17 627)**	(13 265)
Borrowings – non-controlling interest	**(4 954)**	(3 728)
Interest-bearing liabilities	**(31 766)**	(23 904)
Trade and other payables	**(1 304)**	(981)
Deferred tax	**(2 378)**	–
Fair value of net liabilities	**(7 723)**	(4 023)
Non-controlling interest (24,75%)	**1 911**	
Interest acquired	**(1 989)**	–
Loan claims	**4 046**	–
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**(57)**	–
Total purchase consideration	**2 000**	
Purchase consideration settled in cash	**–**	2 000
Cash and cash equivalents in subsidiary acquired	**–**	(154)
Cash outflow on acquisition	**–**	1 846

25. Events after balance sheet date

No event material to the understanding of these financial statements has occurred between the end of the financial year and the date of approval.

26. Reclassifications

In order to provide increased disclosure, certain reclassifications have been made. These changes have no impact on overall equity, net assets or profitability.

The effect on the group's statement of comprehensive income is as follows:

	2009 R000	2008 R000
Changes to operating profit		
Decrease in dividends received	–	(4 409)
Increase in interest received	–	4 409
Decrease in retail sales (previously presented as turnover)	–	(139 027)
Increase in finance charges earned	–	139 027
Decrease in retail sales	–	(79 258)
Increase in income received from ancillary services	–	79 258
Decrease in retail sales	–	(2 531)
Increase in other income	–	2 531
Decrease in cost of sales	–	(89 272)
Increase in trading expenses	–	89 272
	–	–

Summary of changes

– Interest received from investments previously included in dividends received, reclassified to interest received.

– Finance charges earned previously included in retail sales, reclassified to finance charges.

– Ancillary services previously included in retail sales, reclassified to separate line item under sundry income.

– Other income items previously included in revenue, reclassified to sundry income.

– Trading expenses previously included in cost of sales, reclassified to trading expenses.

	2009 **R000**	2008 R000

27. Related-party disclosure

Transactions with other related parties

Directors

A director of one of the company's subsidiaries, HomeChoice (Pty) Ltd, has a non-controlling interest in an entity providing the group with information technology consultancy services. The transactions with this entity are made at normal market prices. Fees paid to the entity amount to R6,132 million (2008: R4,477 million) and purchase of computer hardware and software of R1,200 million (2008: RNil).

Other than the above, none of the directors have indicated that they have a material interest in contracts of any significance with the company or any of its subsidiaries.

Directors of two of the company's subsidiaries, HomeChoice (Pty) Ltd and FinChoice (Pty) Ltd, purchased company motor vehicles at normal market prices. The amount paid by the directors was R0,130 million (2008: R0,505 million).

Post-retirement benefit plans

The group is a member of the HomeChoice Provident Fund, a defined-contribution plan. Refer to note 21 for further details.

Key management personnel

Key management personnel are those persons having authority for planning, directing and controlling activities directly or indirectly, including any director of the holding company or subsidiary. Directors of the company's subsidiaries, HomeChoice (Pty) Ltd and FinChoice (Pty) Ltd, excluding those who are also executive directors of HomeChoice Holdings Limited, have been classified as key management personnel. Summary of emoluments paid:

	2009 R000	2008 R000
Non-executive directors	**440**	311
Executive directors	**6 753**	7 464
Other key management personnel – directors of subsidiary companies		
– Remuneration	**8 685**	7 924
– Bonus	**500**	2 255
– Retirement, medical, disability and death benefits	**1 222**	1 141
	17 600	19 095

Loans are provided to key management personnel as part of the Employee Share Incentive Scheme as disclosed in note 3.

At 31 December 2009, the ultimate controlling party of the group was GarFam Holdings Limited, a company incorporated in the British Virgin Islands.

HomeChoice

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contents

Company statement of financial position

at 31 December 2009

	Note	2009 R000	2008 R000
Assets			
Non-current assets			
Investments in subsidiaries	1	**4**	4
Deferred tax	2	**65**	584
		69	588
Current assets			
Loan to employee share trust	3	**24 287**	23 879
Loans to subsidiaries	4	**211 672**	147 541
Receiver of Revenue		**622**	52
Cash and cash equivalents	5	**36 295**	48 310
		272 876	219 782
Total assets		**272 945**	220 370
Capital and reserves			
Share capital	6	**1 039**	1 039
Share premium	7	**139 006**	146 275
Distributable reserve		**82 543**	73 034
Ordinary shareholders' interest		**222 588**	220 348
Current liabilities			
Trade and other payables	8	**113**	22
Loans from subsidiaries	4	**50 244**	–
		50 357	22
Total equity and liabilities		**272 945**	220 370

Company statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 R000	2008 R000
Revenue	9	**16 488**	5 447
Income			
Reversal of impairment of loan		**–**	5 265
Operating profit		**–**	5 265
Interest received		**9 782**	1 645
Dividends received		**16 488**	5 447
Profit before taxation		**26 270**	12 357
Taxation	11	**(3 258)**	(20)
Profit for the period		**23 012**	12 337

Company statement of changes in equity

for the year ended 31 December 2009

	Share capital	Share premium	Distributable reserve	Total
	R000	R000	R000	R000
Opening balance at 1 January 2008	1 039	156 662	61 736	219 437
Profit for the period	–	–	12 337	12 337
Dividends paid for the period	–	–	(1 039)	(1 039)
Reduction of share premium	–	(10 387)	–	(10 387)
Balance at 31 December 2008	1 039	146 275	73 034	220 348
Profit for the period	**–**	**–**	**23 012**	**23 012**
Dividends paid for the period	**–**	**–**	**(13 503)**	**(13 503)**
Reduction of share premium	**–**	**(7 269)**	**–**	**(7 269)**
Balance at 31 December 2009	**1 039**	**139 006**	**82 543**	**222 588**

Company statement of cash flows

for the year ended 31 December 2009

	Note	2009 R000	2008 R000
Cash flow from operating activities			
Cash receipts from customers		**–**	–
Cash paid to suppliers		**91**	(81)
Cash generated/(utilised) by operations	i	**91**	(81)
Interest received		**9 782**	1 645
Dividends received		**16 488**	5 447
Dividends paid		**(13 503)**	(1 039)
Taxation paid	ii	**(3 309)**	(460)
Net cash inflow from operating activities		**9 549**	5 512
Cash flow from investing activities			
Loans (provided to)/repaid by subsidiaries		**(13 887)**	15 349
Net cash (outflow)/inflow from investing activities		**(13 887)**	15 349
Cash flow from financing activities			
Share premium reduction		**(7 269)**	(10 387)
Loans provided to share trust		**(408)**	(6 065)
Net cash outflow from financing activities		**(7 677)**	(16 452)
Net (decrease)/increase in cash and cash equivalents		**(12 015)**	4 409
Cash balance at beginning of year		**48 310**	43 901
Cash balance at end of year		**36 295**	48 310

Company notes to the statement of cash flows

for the year ended 31 December 2009

	2009 R000	2008 R000
i. Reconciliation of cash flows generated/(utilised) by operations		
Profit before taxation	**26 270**	12 357
Reversal of impairment of loan	**–**	(5 265)
Interest received	**(9 782)**	(1 645)
Dividends received	**(16 488)**	(5 447)
Movements in working capital		
Increase/(decrease) in trade and other payables	**91**	(81)
Cash generated/(utilised) by operations	**91**	(81)
ii. Taxation paid		
Amounts receivable at beginning of period	**52**	53
Amounts charged to income statement	**(3 258)**	(20)
SA normal tax	**(2 739)**	(461)
Deferred tax	**(519)**	441
Deferred tax movement	**519**	(441)
Amounts receivable at end of year	**(622)**	(52)
Net outflow	**(3 309)**	(460)

	2009 R000	2008 R000
1. Investments in subsidiaries		
Wholly owned subsidiary companies' shares at cost	**4**	4

	% interest held	Company issued share capital 2009 R000	Company issued share capital 2008 R000
Wholly owned subsidiary companies			
Operating companies:			
HomeChoice (Proprietary) Limited	100%	**1**	1
HomeChoice Property Company (Proprietary) Limited	100%	**60**	60
HomeChoice Investments (Proprietary) Limited	100%	**120**	120
FinChoice (Proprietary) Limited	100%	**1700**	1700
Dormant companies:			
HC Direct (Proprietary) Limited	100%	**60**	60
HomeChoice Innovations (Proprietary) Limited	100%	**1700**	1700
FoneChoice (Proprietary) Limited	100%	**60**	60
HomeChoice (Proprietary) Limited (incorporated in Namibia)	100%	**1**	1
HomeChoice (Proprietary) Limited (incorporated in Botswana)	100%	**100**	100

Unless otherwise specified above, all other companies have been incorporated in South Africa.

	2009 R000	2008 R000

2. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2009 R000	2008 R000
Deferred tax assets	**(65)**	(584)
Deferred tax liabilities	**–**	–
Deferred tax assets (net)	**(65)**	(584)

The gross movement on the deferred income tax account is as follows:

	2009 R000	2008 R000
At 1 January	**(584)**	(143)
Profit or loss charge	**519**	(441)
At 31 December	**(65)**	(584)

Deferred tax assets	**Secondary tax on companies credit** R000	**Total** R000
At 1 January 2008	(143)	(143)
Credited to profit or loss	(441)	(441)
At 31 December 2008	(584)	(584)
Charged to profit or loss	**519**	**519**
At 31 December 2009	**(65)**	**(65)**

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

3. Loan to employee share trust

	2009 R000	2008 R000
Balance at beginning of year	**23 879**	12 549
Amount advanced during the current year	**408**	11 330
Balance at end of year	**24 287**	23 879

The loan is unsecured, interest-free and repayable on demand.

	2009 R000	2008 R000
4. Loans to/(from) subsidiaries		
Subsidiary companies wholly owned		
Operating companies:		
HomeChoice (Proprietary) Limited	**(47 682)**	2 194
HomeChoice Property Company (Proprietary) Limited	**47 242**	36 940
HomeChoice Investments (Proprietary) Limited	**41 384**	41 016
FinChoice (Proprietary) Limited	**123 046**	67 392
Dormant companies:		
HC Direct (Proprietary) Limited	**(2 560)**	(0)
HomeChoice Innovations (Proprietary) Limited	**(2)**	(2)
	161 428	147 541
Current assets	**211 672**	147 541
Current liabilities	**(50 244)**	–
	161 428	147 541

The loans are unsecured, interest-free and payable on demand, and therefore recorded at cost, except for the HomeChoice (Proprietary) Limited and FinChoice (Proprietary) Limited loans that pay or earn a market-related interest rate.

The company has ceded its rights in and to the loan account of HomeChoice (Pty) Ltd in favour of the group's bankers.

The company has provided, in favour of the group's bankers, unlimited suretyship to HomeChoice (Pty) Ltd and suretyship limited to R1 000 000 to FinChoice (Pty) Ltd. The company subordinated its loan in the prior year to FinChoice (Pty) Ltd in favour of FinChoice (Pty) Ltd's creditors for so long as the liabilities of FinChoice (Pty) Ltd exceed its assets, fairly valued.

	2009 R000	2008 R000
5. Cash and cash equivalents		
Money-market investments	**36 295**	48 310
	36 295	48 310

Cash at bank earns interest based on daily bank deposit rates. Money-market investments are made depending on the cash requirements, and earn interest at the respective investment rates.

	2009 R000	2008 R000
6. Share capital		
Authorised		
200 000 000 (2008: 200 000 000) ordinary shares of 1 cent each	**2 000**	2 000
Issued		
103 869 000 (2008: 103 869 000) ordinary shares of 1 cent each	**1 039**	1 039
7. Share premium		
Balance at beginning of year	**146 275**	156 662
Share premium reduction	**(7 269)**	(10 387)
Balance at end of year	**139 006**	146 275
8. Trade and other payables		
Other accounts payable	**113**	22
Balance at end of year	**113**	22
9. Revenue		
Dividends received	**16 488**	5 447
10. Income tax		
Income statement		
SA normal tax – current year	**(2 739)**	(461)
Deferred tax – current year	**(519)**	441
	(3 258)	(20)
Reconciliation of tax rate	**%**	%
Standard rate	**28,0%**	28,0%
Disallowable expenditure	**–**	(11,9%)
Exempt income	**(17,6%)**	(12,4%)
Secondary taxation on companies (STC)	**(3,2%)**	(3,7%)
STC credits utilised	**5,2%**	–
Effective tax rate	**12,4%**	0,0%

11. Financial risk management

11.1 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt, which includes the borrowings disclosed in notes 3 and 4, cash and cash equivalents disclosed in note 5, and equity attributable to equity holders, comprising issued share capital, share premium, revaluation reserves, distributable reserves less treasury shares, as disclosed in the statement of changes in equity.

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the company to fund the company's capital requirements.

The directors also consider the cost of capital and the risks associated with each class of capital.

From time to time the company repurchases its own shares or reduces share premium. The timing of these repurchases or share premium reductions depends on the availability of shares to be repurchased and available funding. The decision to repurchase shares or reduce share premium is made on a specific transaction basis. The company does not have a defined share buy-back plan.

During the current year the share premium was reduced by 7 cents (2008: 10 cents) per share.

There were no changes in the company's approach to capital maintenance during the year. Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

11.2 Financial risk management policy

The board of HomeChoice Holdings Limited is responsible for the financial risk management of the company.

The company is exposed to a variety of financial risks arising from the use of financial instruments, including credit risk, liquidity risk and market risk.

In assessing risk, the company classifies financial assets and liabilities as follows:

Assets	**Loans and receivables** R000
2009	
Loan to employee share trust	**24 287**
Loans to subsidiaries	**211 672**
Money-market investments	**36 295**
Total	**272 254**
2008	
Loan to employee share trust	23 879
Loans to subsidiaries	147 541
Money-market investments	48 310
Total	219 730

Liabilities	**At amortised cost** R000
2009	
Other payables	**113**
Loans from subsidiaries	**50 244**
Total	**50 357**
2008	
Other payables	22
Total	22

11. Financial risk management (continued)

11.2.1 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. Potential concentrations of credit risk consist principally of loans and receivables and short-term cash deposits. The company's maximum exposure to credit risk at year-end in respect of financial assets is shown in note 11.1.

The company did not consider there to be any significant credit risk exposure which has not been provided for adequately.

11.2.1.1 Loans and receivables

Loans and receivables comprise loans with related parties. The loans are unsecured and repayable on demand and are therefore recorded at cost.

11.2.1.2 Cash and cash equivalents

The group only deposits short-term cash surpluses with major banks of high-quality credit standing.

11.2.2 Liquidity risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The company's approach to liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the company's reputation.

The other payables balance in the company is interest-free and repayable on demand.

11.2.3 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of market prices. The only market risk to which the company is exposed is interest rate risk. Financial instruments affected by interest rate risk short-term deposits and loans to certain subsidiaries.

11.2.3.1 Interest rate risk management

At year-end the company's interest-bearing assets comprised money-market investments and loans to subsidiaries.

All interest-bearing assets are sensitive to fluctuations in interest rates.

The company measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on the profit after tax based on the group's exposure at 31 December. The group regards a 1% (2008: 3%) change in the Reserve Bank repo rate as being reasonably possible at 31 December 2009.

	Movement in basis points	**Effect on profit after tax** R000
2009		
Money-market investments	**+100**	**261**
	–100	**(261)**
Loans to subsidiaries	**+100**	**543**
	–100	**(543)**
2008		
Money-market investments	+300	(1 043)
	–300	1 043
Loans to subsidiaries	+300	(48)
	–300	48

11. Financial risk management (continued)

11.3 Fair value of financial instruments

Effective 1 January 2009, the group adopted the amendment to IFRS 7, for financial instruments that are measured in the balance sheet at fair value. The amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Level 1: Quoted prices in active markets for identical assets or liabilities
– Level 2: Inputs other than quoted prices that are observable for the asset or liability
– Level 3: Inputs for the asset or liability that are not based on observable market data

All the company's financial assets and liabilities are classed as level 3 assets or liabilities as their values are not based on observable market data.

Carrying amounts in the statement of financial position are considered to approximate fair values.

12. Related-party disclosures

The following companies and other entities are regarded as related parties:

Wholly owned subsidiaries

HomeChoice (Proprietary) Limited

FinChoice (Proprietary) Limited

HomeChoice Investments (Proprietary) Limited

HomeChoice Property Company (Proprietary) Limited

HomeChoice Direct (Proprietary) Limited

HomeChoice Innovations (Proprietary) Limited

FoneChoice (Proprietary) Limited

HomeChoice (Proprietary) Limited (incorporated in Namibia)

HomeChoice (Proprietary) Limited (incorporated in Botswana)

Associate entity

En commandite partnership

Trusts

The HomeChoice Share Trust

The HomeChoice Development Trust

The following table provides the total amount of transactions which have been entered into between HomeChoice Holdings Limited and related parties for the relevant financial year (for information regarding the outstanding loan balances at year-end, refer notes 3 and 4).

	2009 R000	2008 R000
Related-party transactions		
Dividends paid to related parties		
The HomeChoice Share Trust	**404**	75

12. Related-party disclosures (continued)

Terms and conditions of transactions with related parties

All transactions with related parties are made at normal market prices with the exception of certain intergroup loans. The loans to HomeChoice (Proprietary) Limited and FinChoice (Proprietary) Limited are unsecured and pay market-related interest and settlement occurs in cash. All other outstanding balances are unsecured interest-free and repayable on demand.

The company has ceded its right in and to the loan to HomeChoice (Pty) Ltd in favour of the group's bankers. The company has also subordinated its loan to FinChoice (Pty) Ltd in favour of FinChoice (Pty) Ltd's creditors for so long as the liabilities of FinChoice (Pty) Ltd exceed its assets fairly valued. Other than the above there have been no guarantees provided or received for any related-party receivables or payables.

The company has provided in favour of the group's bankers unlimited suretyship to HomeChoice (Pty) Ltd and limited suretyship of R1 000 000 to FinChoice (Pty) Ltd.

	2009 R000	2008 R000
Directors' emoluments		
Non-executive directors		
– Fees	**440**	311
Executive directors		
– Remuneration	**6 090**	5 567
– Bonus	**–**	1 335
– Retirement, medical, disability and death benefits	**663**	562
	7 193	7 775

All the directors' emoluments are paid by subsidiaries. No service contracts exist with any directors.

13. Contingent liabilities and commitments

13.1 The company has guaranteed letters of credit of HomeChoice (Proprietary) Limited amounting to R33,355 million (2008: R23,286 million) at the balance sheet date.

Notice to the members

Notice is hereby given that the annual general meeting of members of HomeChoice Holdings Limited (registration number 1991/005430/06) will be held in the boardroom of HomeChoice, 78 Main Road, Wynberg, on Friday, 7 May 2010, at 15:00 for transacting of the following business:

1. To receive and adopt the annual financial statements of the company and the group for the year ended 31 December 2009.
2. To approve the appointment of JA Bester and WFM Jungschläger as non-executive directors and to elect two directors in the place of SM Maltz and A Chorn who retire in terms of the company's articles of association. SM Maltz and A Chorn, being eligible, offer themselves for re-election.
3. To place the unissued shares in the authorised share capital of the company under the control of the directors of the company for allotment and issue at such price or prices, or for such consideration, whether payable in cash or otherwise, at such time or times and to such person or persons as they in their discretion deem fit, subject to the provisions of the Companies Act of South Africa, 1973, as amended.
4. To approve the remuneration of directors for services as directors for the past financial year.
5. The shareholders will be requested to consider and, if deemed fit, to pass with or without modification the following special resolution:

Background information

As disclosed in the company's latest published financial statements for the year ended 31 December 2009, attached to this notice, the company has substantial amounts of liquid investments and cash.

Reduction of share premium

The board of directors hereby propose, subject to the approval of the members in general meeting and subject to the provisions of section 90 of the Companies Act of South Africa, 1973, as amended (the "Companies Act"), that:

(i) the company's share premium be reduced by an aggregate amount of R20 773 887,60 (the "consideration");

(ii) the company utilises the consideration to repay to members an amount equal to 20 (twenty) cents per ordinary share in the capital of the company ("HomeChoice share") held by its members (the "distribution"); and

(iii) it is anticipated that payment will be made by 31 May 2010, subject to successful lodgement and acceptance of the special resolution with the Registrar of Companies.

The company is authorised to reduce its share premium and make payments to its members in accordance with the provisions of section 90 of the Companies Act pursuant to the provisions of Article 74 of the company's articles of association.

Rationale

The board of directors is of the opinion that the current level of capital of the company is surplus to the requirements of the company and therefore believes that the distribution to members as proposed above is appropriate.

Special Resolution Number 1 – Repayment of the share premium to members

"Resolved that,

(a) the board of directors of HomeChoice Holdings Limited (the "company") be and are hereby authorised in compliance with the provisions of section 90 of the Companies Act of South Africa, 1973, as amended (the "Companies Act"), and in accordance with Article 74 of the company's articles of association, to:
   (i) reduce the company's share premium account by an aggregate amount of R20 773 887,60 (the "consideration"); and
   (ii) utilise the consideration to repay to members registered at the close of business on Friday, 30 April 2010, an amount equal to 20 (twenty) cents per ordinary share in the capital of the company ("HomeChoice share") held by its members;

(b) the approval given in terms of (a) above shall be effective for a period of six months from the date of registration of this special resolution by the Registrar of Companies;

(c) the board of directors shall only exercise the authority granted to it pursuant to this special resolution if the board reasonably believes that:
   (i) each of the company and its subsidiaries would, after payment of the consideration, be able to pay its debts as they become due in the ordinary course of business for a period of twelve months; and
   (ii) the consolidated assets of the company and its subsidiaries, fairly valued, would, after payment of the consideration, not be less than the consolidated liabilities of the company and its subsidiaries, for a period of twelve months measured in accordance with the accounting policies used in the audited financial statements of the company for the year ended 31 December 2009."

Reasons for and effect of Special Resolution 1
The reason for Special Resolution Number 1 is to grant the directors of the company the authority, in accordance with the provisions of section 90 of the Companies Act and Article 74 of the company's articles of association, to reduce the company's share premium account by an aggregate amount of R20 773 887,60 and to utilise those funds to repay to members an amount equal to 20 (twenty) cents per HomeChoice share held by its members, which authority shall be valid for a period of six months from the date of registration.

The passing and registration of this special resolution will have the effect of authorising the company to so reduce its share premium account and to utilise the consideration to repay to members an aggregate amount of R20 773 887,60, the equivalent of 20 (twenty) cents per HomeChoice share.

Distribution of payments to members
It is anticipated that payments in respect of the distribution will be made to members by 31 May 2010, and will be effected by way of cheque. All monies so payable by cheques shall be sent by ordinary post, at the risk of the member, to the address of the member in question set forth in the register. Payment of a cheque as aforesaid shall be a complete discharge by the company of its relevant payment obligations in terms of the distribution.

If several persons are entered in the register as joint members, then payment to any one of them of any monies payable on or in respect of the distribution shall be an effective and complete discharge by the company of the amount so paid, notwithstanding any notice (express or otherwise) which the company may have of the right, title, interest of claim of any other person to or in any HomeChoice share or interest therein.

Exchange control regulations
The following guideline is a summary of South African Exchange Control regulations. It is not a comprehensive statement and members who have any doubt as to the action they must take should consult with their professional adviser. Brokers are required to comply with the South African Exchange Control Regulations as set out herein.

On or prior to 7 May 2010, each member who is an emigrant from or non-resident of the common monetary area shall provide to the company secretary, in writing, the full details of his/her authorised dealer, such information to include the name of his/her authorised dealer, address and account number. Should such detail not be provided, monies owing will be held in trust by the company. No interest will be paid on any such amounts held in trust.

1. Emigrants from the common monetary area

1.1 Payments arising as a result of the distribution to members are not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations of South Africa. Cheques issued as a result of the distribution will be forwarded at the risk of the member to the member's authorised dealer in foreign exchange in South Africa, who controls the emigrant's blocked assets.

1.2 You are advised to take instructions from your authorised dealer in relation to your blocked assets and the procedures attaching to any potential repatriation thereof from South Africa.

2. All other non-residents of the common monetary area

2.1 Distributions from the share premium to a shareholder who is a non-resident of the common monetary area, who has never resided in the common monetary area and whose registered address is outside the common monetary area will be dealt with as follows:

2.2 Subject to the relevant share certificates carrying a non-resident endorsement and the amount of share capital and share premium having been recorded as such by the relevant authorised dealer which received the funds at the time that the shares were endorsed "non-resident" and the company's bank being presented with an auditor's certificate confirming that the payment constitutes a payment from the share premium of the company (which the company will procure from their auditors), a banker's draft for the amount due in the currency nominated by the shareholder (at a rate of exchange ruling at close of business on 31 May 2010 or as soon as possible after the date of registration of this special resolution by the Registrar of Companies) will be purchased on behalf of such shareholder and on the instruction and at the expense of such shareholder. The banker's draft will be posted at the risk of the shareholder to such shareholder. All foreign exchange risk in this regard shall be with the non-resident shareholder.

6. To transact any other business that may be transacted at an annual general meeting.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote thereat in his/her/its stead. A proxy need not be a member of the company.

Members who wish to appoint proxies are required to complete and return the enclosed form of proxy to reach the registered office of the company at least 24 hours before the appointed time of the meeting.

By order of the board

BJ Bastard
Company secretary

12 March 2010
Cape Town

Details on non-executive directors appointed to the board

JA Bester was in the accounting profession for 16 years and a partner of Ernst & Young. He has been in commerce and industry for 28 years and his experience includes: serving as the financial manager of Toyota Marketing South Africa, financial director of Warner Lambert South Africa, financial director and chief financial officer of the Norwich Holdings Ltd Group of Companies, and a director of Heritage Collection Holdings Ltd. He was also responsible for the restructuring and listing of Norwich Holdings Ltd. He is currently a non-executive director of Personal Trust International Limited, Barnard Jacobs Mellet Ltd (chairman), Clicks Holdings Ltd, and Western Province Rugby (Pty) Ltd. He is a chartered accountant (SA) and chairs a number of audit committees.

WFM Jungschläger has over 28 years of experience as a human relations and human performance expert. For the last 18 years he has consulted to and trained large organisations, both nationally and internationally, in the retail, electricity, mining and transport industries. WFM Jungschläger's experience also includes HR director of the Laser Transport Group, senior psychologist at the Koeberg Nuclear Power Station and training officer for the Ford Motor Company. He has a BA (Hons) and PhD in clinical psychology.

Details on directors eligible for re-election

A Chorn enrolled as an attorney of the High Court of South Africa in August 1983. Currently residing in the United Kingdom, she provides consultancy services to private clients including Bank Insinger de Beaufort, a niche private banking group, and is a director of various companies. Specialising in the tax structuring of cross-border commercial activities for corporates, her extensive experience also includes developing estate planning structures, utilising trusts, foundations and other legal entities, trustee law and company administration in a wide range of law jurisdictions.

SM Maltz is the current chief executive officer, a position she has held since 1 February 2007. Prior to that, she held the position of deputy chief executive officer. She joined the group in May 2001, overseeing the group's credit and operations division as well as all marketing activities. Before joining the group, she was a fund manager at Mercury Asset Management (SA) and Fleming Martin (SA). SM Maltz holds a Bachelor of Commerce, and a law degree (United Kingdom).

administration

Company registration number
1991/005430/06

Company secretary
BJ Bastard

Registered office
78 Main Road
Wynberg 7800

Attorneys
Edward Nathan Sonnenbergs Inc.
Edward Nathan Sonnenbergs House
1 North Wharf Square
Loop Street
Foreshore
Cape Town 8001

Auditors
PricewaterhouseCoopers Inc
No. 1 Waterhouse Place
Century City 7441
PO Box 2799
Cape Town 8000

Commercial bank
FirstRand Bank Limited
3rd Floor, Great Westerford
Main Road, Rondebosch 7700

Country of incorporation
South Africa

shareholders' diary

Financial year-end	31 December 2009
Annual general meeting	7 May 2010
Reports and profit statements	
Publication of annual report	Approximately 31 March 2010
Interim report	Approximately 23 August 2010

HomeChoice

www.homechoice.co.za

Form of proxy

HomeChoice

Annual general meeting on 7 May 2010

I/We ____

of ____

being a member of HomeChoice Holdings Limited

hereby appoint ____

of ____

or failing him/her ____

of ____

or failing him/her the chairperson of the meeting

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 7 May 2010 and at any adjournment thereof as follows:

	Number of shares		
	For	Against	Abstain
1. Resolution to receive and adopt annual financial statements			
2 Resolution to elect directors			
2.1 Resolution to approve the appointment of JA Bester as a non-executive director			
2.2 Resolution to approve the appointment of WFM Jungschläger as a non-executive director			
2.3 Resolution to re-elect SM Maltz, an executive director retiring in accordance with the articles of association			
2.4 Resolution to re-elect A Chorn, a non-executive director retiring in accordance with the articles of association			
3. Resolution to place unissued shares under control of the directors			
4. Resolution to approve the remuneration of the directors			
5. Special resolution to reduce the share premium of the company			

Signed by me on this ______________________ day of ______________________ 2010

Signature ____

Notes to the form of proxy

1. A member entitled to attend and vote at the abovementioned meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and vote thereat in his/her/its stead.

2. This proxy form and power of attorney (if any) under which it is signed must be addressed to the company secretary and reach the registered office of the company, 78 Main Road, Wynberg 7800 (Private Bag X150, Claremont 7735), not less than twenty-four hours before the appointed time of the meeting.

3. A member's instructions to the proxy regarding voting should be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she deems fit in respect of all the shareholder's votes.

4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held.

5. A vote given in terms of an instrument of proxy shall be valid in relation to the meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless a notice of any of the aforementioned matters shall have been received by the company at its registered office or by the chairperson of the meeting at the venue of the meeting before commencement of the meeting.

6. If a shareholder does not indicate on this form that his proxy is to vote in favour or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.

7. The chairperson of the meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

9. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded with the company or unless the chairperson of the meeting waives this requirement.

10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the company.

11. Where there are joint holders of shares:
    - 11.1 any holder may sign the form of proxy;
    - 11.2 the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

12. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).